# Daily Report

## Supplement

# East Asia

FBIS-EAS-90-010-S
Tuesday
6 January 1990

# East Asia
## SUPPLEMENT
For Official Use Only

*FBIS-EAS-90-010-S* *16 January 1990*

CONTENTS

**NOTICE TO READERS:** An * indicates material not disseminated in electronic form.


**JAPAN**

**United States**

Ministry Says U.S. Protects Rice Producers *[THE DAILY YOMIURI 5 Jan]* ..... 1
Agriculture Ministry Shocked by Yeutter Criticism *[MAINICHI DAILY NEWS 7 Jan]* ..... 1
Editorial Considers Liberalization of Rice Market *[THE DAILY YOMIURI 9 Jan]* ..... 2
JIJI Sees 'Worsening' Japan-U.S. Trade Relations *[THE JAPAN TIMES 5 Jan]* ..... 3
* MITI Official Speaks Out on U.S. Relations *[KANKAI Dec]* ..... 4
* Academician Looks at Future Relations With U.S. *[CHUO KORON Dec]* ..... 5
Voluntary Restrictions on Car Exports to U.S. *[SANKEI SHIMBUN 5 Jan]* ..... 11
U.S. Base Local Employees To Be Paid by Japan *[MAINICHI SHIMBUN 10 Jan]* ..... 12
Government To Pay Utility Bills of U.S. Forces *[THE DAILY YOMIURI 5 Jan]* ..... 13
Reexamination of Defense Treaty With U.S. Urged *[MAINICHI DAILY NEWS 6 Jan]* ..... 13
Paper Says U.S. Panama Invasion Not Legitimate *[ASAHI EVENING NEWS 5 Jan]* ..... 14

**Soviet Union**

Government to Support USSR Role in GATT *[THE DAILY YOMIURI 4 Jan]* ..... 14
Ministry 'Source' on Gorbachev-Abe Talks *[TOKYO SHIMBUN 6 Jan]* ..... 15
Abe Recognizes 'Need' for Expanded Relations *[MAINICHI SHIMBUN 11 Jan]* ..... 15
Abe Interviewed on Upcoming Talks in Moscow *[YOMIURI SHIMBUN 13 Jan]* ..... 15
Editorial Previews Abe Visit to Soviet Union *[ASAHI EVENING NEWS 12 Jan]* ..... 16
Japan To Comply With Soviet Arms Talks Proposal *[SANKEI SHIMBUN 29 Dec]* ..... 17
USSR Proposes Joint Projects With Japan, PRC *[NIHON KEIZAI SHIMBUN 31 Dec]* ..... 18
USSR Seeks Japan's Antipollution Technology *[YOMIURI SHIMBUN 1 Jan]* ..... 19
Immigration Office Reports More Soviet Tourists *[ASAHI EVENING NEWS 6 Jan]* ..... 19

**China**

Abe To Visit PRC as Special Envoy After Election *[TOKYO SHIMBUN 7 Jan]* ..... 20
Zou Visit Said Likely To Normalize PRC Ties *[JIJI]* ..... 20
Japanese Envoy Given Notice on Martial Law *[MAINICHI SHIMBUN 11 Dec]* ..... 21
Source Views Martial Law Lifting, Aid to China *[NIHON KEIZAI SHIMBUN 11 Jan]* ..... 21
Editorial Views 'Dilemma' in Dealing With PRC *[THE JAPAN TIMES 12 Jan]* ..... 22
PRC Prodemocracy Movement Compared to E. Bloc *[ASAHI EVENING NEWS 6 Jan]* ..... 22
China Asks Banks for Credit Extension Loans *[ASAHI SHIMBUN 12 Jan]* ..... 23
Resumption of Yen Loans to PRC To Start Soon *[YOMIURI SHIMBUN 10 Jan]* ..... 24
Japan, China To Resume Meeting on Technology *[NIHON KEIZAI SHIMBUN 6 Jan]* ..... 24
Toray Industries To Export Plant to Shanghai *[MAINICHI SHIMBUN 1 Jan]* ..... 25
Cooperation With China in Building Power Plant *[NIHON KEIZAI SHIMBUN 5 Jan]* ..... 25
Japan To Assist PRC With Nuclear Power Safety *[TOKYO SHIMBUN 7 Jan]* ..... 26
Cooperation With PRC in Soybean Production *[ASAHI EVENING NEWS 6 Jan]* ..... 26

**North Korea**

Government Wants To Improve Ties With DPRK *[THE DAILY YOMIURI 10 Jan]* ..... 27
DPRK Said Ready To Extradite Hijackers Via Beijing *[THE DAILY YOMIURI 5 Jan]* ..... 27

**Europe**

Kaifu To Focus on New World Order on Trip *[THE JAPAN TIMES 7 Jan]* ..... 28
Editorial Comments on Kaifu's European Trip *[MAINICHI DAILY NEWS 10 Jan]* ..... 29
'Motives' Behind Kaifu's European Trip Viewed *[THE DAILY YOMIURI 8 Jan]* ..... 30
ASAHI Views Prospects for Japanese Diplomacy *[ASAHI EVENING NEWS 6 Jan]* ..... 31
MITI Team To Monitor EC Product Standardization *[MAINICHI DAILY NEWS 7 Jan]* ..... 31
Editorial Views Rise of 'New Europe,' Trade Issue *[THE JAPAN TIMES 4 Jan]* ..... 32
Business Groups To Promote Ties With E. Europe *[JIJI]* ..... 33
MITI To Insure Cement Joint Venture in Poland *[NIHON KEIZAI SHIMBUN 1 Jan]* ..... 33

**International Affairs**

Former Finance Minister Miyazawa Interviewed *[THE JAPAN TIMES 3 Jan]* ..... 34
JOURNAL Urges 'Fair Play' in Policy Making *[THE JAPAN ECONOMIC JOURNAL 13 Jan]* ... 36
Post-Cold War International Situation Previewed *[THE JAPAN TIMES 1 Jan]* ..... 37
Editorial on Japan's Role in Post-Cold War Era *[THE DAILY YOMIURI 8 Jan]* ..... 38
1990 Foreign Policy To Focus on East-West Change *[THE JAPAN TIMES 1 Jan]* ..... 39
Japanese, American, Soviet People Surveyed *[MAINICHI DAILY NEWS 1 Jan]* ..... 40
Internationalization Said To Be Under Way *[THE JAPAN TIMES 1 Jan]* ..... 41
Daily Calls for Strong Political Leadership *[THE JAPAN TIMES 1 Jan]* ..... 42
Japan's International Role in 1990's Viewed *[THE JAPAN TIMES 1 Jan]* ..... 42
YOMIURI Previews Economic Trends in 90's *[THE DAILY YOMIURI 6 Jan]* ..... 44
Country's Economic Prospects in 1990's Viewed *[THE DAILY YOMIURI 7 Jan]* ..... 45

**Domestic Affairs**

Paper Polls Company Heads on Political Outlook *[MAINICHI DAILY NEWS 4 Jan]* ..... 46
Article Assesses Prospects in Upcoming Elections *[ASAHI EVENING NEWS 6 Jan]* ..... 47
Columnist Says LDP Likely To Face Rough Election *[ASAHI EVENING NEWS 9 Jan]* ..... 48
Column Views Upcoming Lower House Election *[THE DAILY YOMIURI 1 Jan]* ..... 49
Editorial Cites LDP's Political Tactics *[ASAHI EVENING NEWS 10 Jan]* ..... 50
LDP General Secretary Speaks on Election *[YOMIURI SHIMBUN 3 Jan]* ..... 51
JSP's Doi Interviewed on Opposition Unity *[YOMIURI SHIMBUN 4 Jan]* ..... 52
Komeito's Ishida Interviewed on Elections *[YOMIURI SHIMBUN 5 Jan]* ..... 53
Opposition Parties Plan To Form Study Group *[ASAHI EVENING NEWS 10 Jan]* ..... 54
JPS Reports JCP Chairman's New Year Interview ..... 55
Installment One ..... 55
Installment Two ..... 55
Installment Three ..... 56
Installment Four ..... 57
Installment Five ..... 57
Installment Six ..... 58
Installment Seven ..... 60
Editorial Criticizes Kaifu Speech in West Berlin *[JPS]* ..... 61
AKAHATA Criticizes Gorbachev's 'New Thinking' *[JPS]* ..... 62
AKAHATA Cited on Lifting of Martial Law in PRC *[JPS]* ..... 64

**Economic Affairs**

Editorial Views Japan's Role in Global Economy *[MAINICHI DAILY NEWS 7 Jan]* ..... 64
Editorial Encourages Rethinking Development Aid *[MAINICHI DAILY NEWS 4 Jan]* ..... 65
Qualitative Change in Japan's Assistance Noted *[ASAHI EVENING NEWS 9 Jan]* ..... 66
Government's Efforts To Promote Imports Noted *[THE DAILY YOMIURI 10 Jan]* ..... 67
Open Policy for Foreign Labor Favored *[THE JAPAN TIMES 1 Jan]* ..... 67
* Measures Taken To Surmount 'Containment' *[SEKAI Dec]* ..... 68
* Changes in Financial World Examined *[AERA 14 Nov]* ..... 70
Government to Revamp National Bond Bidding System *[NIHON KEIZAI SHIMBUN 8 Jan]* ..... 75
* Changes in Distribution System Discussed *[NIHON KEIZAI SHIMBUN 3 Nov]* ..... 76
* Security Agency Analysis of Radical Groups *[SANKEI SHIMBUN 24 Dec]* ..... 78
NASDA Develops Project for Lunar Exploitation *[SANKEI SHIMBUN 4 Jan]* ..... 78
Firms To Join Next-Generation Missile Research *[NIHON KEIZAI SHIMBUN 26 Dec]* ..... 79

## MONGOLIA

Batmonh Congratulates New Romanian Leader *[MONTSAME to VNA]* ..... 81
Romanian Embassy Staff Supports New Leadership *[MONTSAME to VNA]* ..... 81
MPRP Denounces 'Prague Spring' Intervention *[MONTSAME to VNA]* ..... 81
Foreign Minister Interviewed on USSR Visit *[MONTSAME to VNA]* ..... 81
Gengis Khan Praised as Founder of State *[MONTSAME to VNA]* ..... 82
Ulaanbaatar City Hural Discusses Development *[MONTSAME to VNA]* ..... 82
Contract-Lease System Facilitates Winter Herding *[MONTSAME to VNA]* ..... 82
Good Results Reported in Livestock Breeding *[MONTSAME to VNA]* ..... 83

## NORTH KOREA

Kim Il-song Plans Visit to Soviet Union *[Tokyo YOMIURI SHIMBUN 26 Dec]* ..... 84

## PHILIPPINES

Interview With De Villa on Coup Attempt *[Hong Kong ASIAWEEK Vol 16]* ..... 85

## AUSTRALIA

Hawke Supports PRC Admission Into APEC *[Tokyo NIHON KEIZAI SHIMBUN 23 Dec]* ..... 87

## VIETNAM

Agreement Reached on Reducing Soviet Military Aid *[Tokyo SANKEI SHIMBUN 4 Jan]* ..... 88

## United States

### Ministry Says U.S. Protects Rice Producers

*OW0701015390 Tokyo THE DAILY YOMIURI in English 5 Jan 90 p 8—FOR OFFICIAL USE ONLY*

[Text] The Agriculture, Forestry and Fisheries Ministry determined in a recent survey on the rice-growing situation in the United States that the U.S. Government has a broad array of measures designed to protect domestic rice producers, it was reported Wednesday.

The survey, titled "Emergency Survey on the Trade Friction," was conducted in the United States over a two-week period in collaboration with the Japan External Trade Organization.

The delegation, which included Japanese agricultural scholars, visited such rice producing areas as California and also collected data from government-affiliated offices.

The purpose of the survey was to discover the attitude and policies of the U.S. Government toward domestic rice production.

Although professing to have an open policy on rice, in reality the U.S. Government has a broad range of protective measures for rice producers, including an income-support program, the ministry said, adding that the U.S. Government provided an average of $83,000 in subsidies to each rice-producing household in 1987.

However, the U.S. Government has kept the market price of rice at artificially low levels in order to prevent cheap Thai-grown rice from flooding the country's markets and also to promote U.S. rice exports, the ministry said.

On the basis of the data, the ministry intends to reevaluate Japan's import restrictions on rice and establish a price level for Japan's rice exports. The ministry is also reviewing protective measures for domestic rice producers with an eye toward liberalizing the rice market.

Import restrictions on rice, which have drawn criticism from abroad, particularly from the United States, are expected to be a prominent issue at multilateral trade talks held under the auspices of the General Agreement on Tariffs and Trade.

In order to cope with U.S. demands at future farm talks, the ministry intends to prepare a report this spring based on the survey.

According to some market analysts, the survey can act as a guideline for government adjustments in its protective policies toward rice producers.

### Agriculture Ministry Shocked by Yeutter Criticism

*OW0801180690 Tokyo MAINICHI DAILY NEWS in English 7 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Compiled from MAINICHI and wire reports—MAINICHI editor]

[Text] U.S. Agriculture Secretary Clayton Yeutter's criticism of Japan's insistence on being 100 percent self-sufficient in rice and other farm produce has sent shock waves through the Ministry of Agriculture.

Yeutter repeatedly expressed his criticism during the three-day informal ministerial level talks being held between the agricultural leaders of the United States, Japan, Canada, Australia and the European Community, in Howey-in-the-Hills, Florida.

In particular the ministry was surprised by Yeutter's statement that if Tokyo persists in preventing liberalization of the rice market, the Uruguay Round will not succeed and turn into a great loss for the economies of the West.

The Uruguay Round is the name given to the current series of trade liberalization talks being carried out within the frame-work of the General Agreement of Tariffs and Trade (GATT) which are due to be completed by the end of this year.

A somewhat surprised Ministry of Agriculture official reacted to Yeutter's comments, saying, "It's not fair to bring up the rice issue, especially after having invited us (to the talks) on the pretext of removing our ceremonial garb and coming together, accompanied by our wives, in order to deepen our friendship."

At the joint news conference with the four other chief delegates, Yeutter criticized Japan for insisting on total self-sufficiency in rice and other farm produce, a position he said is not well received by "any agriculture exporter in the world."

"Food security is not synonymous with self-sufficiency," Yeutter said as Kano sat next to him. "Food security concerns do not justify production self-sufficiency at any cost."

Hidero Maki, Japan's agriculture vice minister for international affairs, though, thinks that Yeutter may have minister-preted what Kano said.

The U.S. delegation appeared particularly alarmed when Kano said countries should be allowed to ensure their own food security for essential commodities.

Kano mentioned specifically rice, then added "and possibly other products."

Yeutter interpreted this as meaning that Japan might be seeking to ban imports—and ensure 100 percent self-sufficiency—in other produce in addition to rice.

What Kano meant, said Maki, was that Japan wanted to guarantee security for its rice sector—but other countries might have similar concerns about other commodities.

Japan was proposing, said Maki, that food security concerns be allowed to be part of GATT. Tokyo was not seeking any special exemption.

"As a general rule," he said, "this may be a basic foodstuff or basic foodstuffs, depending on which country wants to resort to this means."

He pointed out that Japan had already made concessions on the overall self-sufficieny issue, having cut self-sufficiency in cereals by 30 percent.

At present the United States and the EC are at odds over the issue of agricultural protection, but Japan fears that it will have no choice but to go along with the Uruguay Round if the U.S. and the EC ever come to an agreement.

The ministry official remarked that the reason for this is that, "From the standpoint of Japan's present international status, it would be difficult to persist on the rice issue to the point where we disregard the (Uruguay) Round."

In 1967 at the Kennedy Round of GATT cereals agreements, Japan was put in the position where they were pressured into agreeing to the clause on food aid for the reason that if they did not, the Round would not succeed.

The ministry is determined not to be put into a similar position again and the official insists that, "The differences in positions between exporting and importing countries are not being understood. Talks concerning the rice issue will surely become more involved from will surely become more involved from now on, and we will continue to work toward an understanding."

## Editorial Considers Liberalization of Rice Market

*OW1101055190 Tokyo THE DAILY YOMIURI in English 9 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[YOMIURI SHIMBUN 8 January editorial: "1990 Crucial to Rice Production"]

[Text] It appears this year will be crucial to Japan's rice production. The Uruguay Round of multilateral trade negotiations will soon discuss specific measures to reduce agricultural protectionist trends among participating members. One result may be an agreement reached within the year requiring liberalization of Japan's rice market.

A meeting of agricultural ministers from five advanced nations was held in the United States last week. This meeting gave an indication of what will likely happen at the Uruguay Round. Meeting at the behest of U.S. Secretary of Agriculture Clayton Yeutter, Western farm czars criticized Japan over its policy of rice self-sufficiency.

Even representatives of the European Community, which had earlier joined Japan in condemning a U.S. proposal for abolition of all agricultural protection, criticized Japan's stand on the rice issue. In short, Japan now stands alone.

Yeutter, chairman of the meeting, said that the Uruguay negotiations cannot succeed unless Japan finds a solution to the rice issue.

Previously, due to the unstable Japanese political situation and the upcoming House of Representatives election, the United States had kept quiet on the rice dilemma.

### The Sacred Rice Market

However, the United States broke its silence at the agricultural meeting in an apparent attempt to refute the "rice market as sacred" argument and to break a deadlock in the multilateral trade negotiations.

If the Uruguay Round is stymied by a confrontation between the United States and the EC over subsidies, settlement of the rice issue may be postponed. If this comes to pass, the United States intends to move for bilateral negotiations with Japan.

The situation is serious and the government must prepare Japanese rice growers for any eventuality.

Regrettably, there has been little progress in making Japanese producers competitive internationally. The gradual reduction of rice prices, once believed to be a permanent policy, was shelved last year for political reasons. Another victim of rice politics was a plan to further reduce rice acreage next fiscal year.

Meanwhile, the staple food control system, under which the government supervises production and distribution of rice, has been steadily coming apart. For example, freely distributed "black-market" rice is estimated to exceed 2 million tons a year.

### Food Control Law Outdated

Farmers complain vociferously when they are forced to restrain production of this rice which is more popular with consumers than government-controlled rice. Some wholesalers and retailers are also saying that they cannot get enough of this rice due to government regulations.

Though the government is trying to stop illegal distribution of rice, it continues to increase. This trend demonstrates inherent contradictions in the Staple Food Control Law, legislation enacted during World War II when Japan was severely short of food.

Japan should revise the present food control law to reflect the principle of supply and demand. This should include easing restrictions on rice to allow for more direct sale by producers.

Discouraged by strict food control regulations, more and more young farmers are abandoning their farms for better opportunities elsewhere.

The government should welcome demands by other nations that we liberalize our rice market and should create an agricultural policy that fully utilizes the potential of Japan's rice farmers.

### JIJI Sees 'Worsening' Japan-U.S. Trade Relations

*OW0701035490 Tokyo THE JAPAN TIMES in English 5 Jan 90 p 3—FOR OFFICIAL USE ONLY*

[JIJI Press "Analysis" column: "Japan-U.S. Economic Tension Seen Entering Critical Stage"]

[Text] In contrast with the thaw in East-West relations, economic tension between Japan and the United States is worsening to such an extent that many observers believe the problem, if left unresolved, could collapse what have been called the world's strongest belateral ties.

Voices denouncing Japan's trade practices are so strong in the U.S. press and Congress that one American trade official said the current mood is reminiscent of McCathyism, which roiled the United States from the late 1940s through the early 1960s. The U.S. Government appears somewhat composed in dealing with bilateral trade problems symbolized by the U.S. deficit, which has hovered around $50 billion.

The trade official admitted that Washington is trying not to deepen problems facing the Liberal-Democratic Party [LDP], Japan's pro-U.S. ruling party, ahead of a general election for the Lower House that is expected in February. The party lost control of the less-powerful Upper House because of its resounding electoral defeat in July.

After the upcoming election, however, the U.S. Government is expected to put forward a barrage of demands that Japan make major trade concessions in view of mounting congressional pressure urging the White House to take a tougher line.

#### Critical Situation

Warning that Tokyo can no longer get away with doing nothing to reduce its enormous trade surplus with the United States, the American official said Japanese-U.S. relations will fall into a critical situation during the period from the resumption of the Structural Impediment Initialtive [SII] soon after the general election and compilation in May of an interim report on the SII negotiations.

The United States is trying to remove barriers to trade in forest products, satellites and supercomputers, three areas targeted uner the Super 301 provision of the 1988 Trade Act. Among many other issues at stake are U.S. access to the Japanese construction and semiconductor markets and Japan's so-called voluntary restraints on auto exports to the United States. Little progress has been made in these key issues despite U.S. Trade Representative Carla Hills' repeated warning that they should be resolved by now to prevent Japanese-U.S. relations from deteriorating.

On Now. 22, the Office of the U.S. Trade Representative said Japan uses unreasonable practices to limit U.S. access to its construction market, but deferred trade retaliation reportedly due to a shortage of evidence supporting the assertion. The office issues the statement based on a yearlong investigation into the Japanese consruction industry under the 301 provision of the 1974 Trade Act.

Japanese Construction Ministry officials fear that the decision to put off trade action against Japan will complicate the problem as the two-year review in May of a 1988 bilateral agreement covering certain major Japanese construction projects comes into play.

Talks on the three trade areas under the Super 301 provision got under way in mid-Novemer but have so far produced few tangible results. Regarded as a trump card for narrowing the Japanese-U.S. trade imbalance, the SII negotiations aimed at breaking down structures that keep Japan's trade surplus high were held in Tokyo in September and in Washington in November. But the first two rounds of talks made little headway, Deputy Vice Foreign Minister Koji Watanabe said, because both Japanese and U.S. negotiators were too defensive to zero in on specific problems requiring immediate solutions.

Expecting little progress even in the third round of negotiations in January, the U.S. Government is poised to settle pending issues in the fourth round in March. Like other trade negotiations, the SII talks will likely climax after Japan's general election.

Japan's so-called structural impediments, which the United States is trying to remove, are classed into six categories—tendency to save a lot but not invest enough in infrastructure, ineffective use of land, an inefficient retail and distribution system, a rigid pricing mechanism, exclusionary business practices and cross-stock holding between related, or "keiretsu," companies.

Japan is starting to take legal seps to improve the use of land and the distribution system, whil the Fair Trade Commission is strengthening its watchdog activity.

#### Kaifu Support in Doubt

But analysts question whether these and other measures to eliminate the impediments will be forcibly carried out as Prime Minister Toshiki Kaifu has no independent power base of his own within the LDP and so lacks strong leadership. In fact, a list of measures suggested by an ad hoc LDP committee earlier this month hardly reflects Kaifu's determination to implement policies good for the Japanese consumer.

Japanese Government officials are haunted by the possibility that Japanese-U.S. relations could collapse unless bilateral trade problems are settled soon.

Forecasting that American lawmakers' demand for protectionism will gather steam at a stroke in late January, a senior Foreign Ministry official said that at least statistical improvements in the Japanese-U.S. trade imbalance are needed by then to avoid the catastrophic consequences.

## * MITI Official Speaks Out on U.S. Relations

*902B0040A Tokyo KANKAI in Japan Dec 89 pp 156-161—FOR OFFICIAL USE ONLY*

[Interview with Katsuo Seiki, Chief of the General Affairs Division, International Trade Policy Bureau: "The Experts of Kasumigaseki [Office of Foreign Ministry] Responsible for Japan"; interviewer not identified, date and place not given]

[Excerpts] **Changes of an America as From Another Time**

[KANKAI] As is common for young people, you also studied abroad for 2 years at Harvard University, didn't you? Do you still have any memories or impressions from what you learned in America?

[Seiki] Various ones. I studied there for 2 years from 1969 to 1971, from the age of 26 to 28, but I felt a strong culture shock because I was young. American businesses at that time were still the world's strongest, so we Japanese students wanted to gain the secret of corporate strength of the multinational corporations such as IBM. In America at that time, especially at that kind of business school, the word "toughness" had a vivid feel to it.

Thrown suddenly from Japan's rather homogenous society, to put it unkindly, a placid society, into the boot camp of an American business school, I felt that the way of living for American youth my age was more rigorous.

However, the Nixon shock came in the summer of 1970. At that time the opinion that the strength of American companies had declined somewhat and that they were already losing to the Japanese appeared in America. History is extremely interesting. I have the impression that when some particular symptom appears, it becomes a really big trend in no time at all. At the Harvard Business School then such experts as Peter Drucker called for learning from Japan. America's prospective businessmen at that time were whistling in the dark, saying, "Don't be ridiculous. There's nothing to learn from Japan." But that was a time when they were quickly changing their tune.

**International Negotiations: Three Rules to Observe**

[KANKAI] If you were to cite one or two places in your career up to now that have left you with a lasting impression, what would they be?

[Seiki] Every place has left its impression on me, but one is the International Energy Agency (IEA) in Paris. There I spent 3 years right at the time we were confronting the second oil shock and trying to bring down the total petroleum import volume of the 21 IEA member countries. In line with that, the annual G-7 summit took place in Tokyo, and Japan's petroleum import volume was set at 6.3 million barrels a day. We adjusted each country's various policies at this international organization, but, if one were to speak of the knowledge of those people who at that time were performing an executive role, that impressed me.

First, it is important that they possessed in common Western society's fundamental values such as democracy and free market economic management. On the other hand, secondly, one has to understand the differences in each person's situation arising from differences in each country's history and government situation. It won't do to judge a person in everything by one's own system of values. If a man understands these differences, then it will be alright. The third point is to say clearly what one should say in international negotiations. If one doesn't say something, it will soon become the seeds of misunderstanding. I feel that I learned those three rules through my work.

[KANKAI] Those are general rules and principles to live by even for the current trade policy, right?

[Seiki] Yes, that's right. After returning to Japan, I was a regulator for large retail stores. Regulating large retail store openings, I worked precisely in an area where politics and administration overlapped. Large retail stores were developing rapidly at that time, so there was a freeze on opening such stores. But afterwards, I also worked to lay the groundwork for creating new rules for opening large retail stores.

I think this also was an extremely good experience for seeing how things are decided in Japanese society.

[KANKAI] You became General Affairs Division chief of the International Trade Policy Bureau this summer, but I think that what is being demanded at this time for the Ministry of International Trade and Industry (MITI) is to work toward realizing coexistence and coprosperity on a global level and to work to correct external imbalances, and for Japan an appropriate role as an economic superpower. I think that they appear in MITI's plan for 1990, "Making a General Import Promotion Policy a Theme of the Highest Priority." However, as for the key position of General Affairs Division chief in that policy, what thoughts do you have on MITI policy, in particular on external policy.

[Seiki] First, I think it is probably necessary to make clear to and communicate to foreigners how Japan is living within international society. If I may be allowed to speak of my experience as a section chief responsible for European affairs, Europe feels unduly threatened by Japan and has a sense of persecution unfathomable to us. That is to say, there are some Europeans who say that

Japan's market is extremely closed and that we are conducting unfair trade practices. I think changing this image abroad must be extremely important. From now on, the present will be a time of excitement, so to speak. For example, today there are events taking place in East-West relations, in the Middle East situation, and in China that will become the cause of great movement in the world's political and economic systems. Even as a trade policy official, I think that there are arising situations where one has to consider things in focusing on international political and economic events hereafter in their entirety. I think that it is extremely important to paint the scenarios of that future.

Then, since naturally there are also the current large imbalances between Japan and the United States and between Japan and the European Community as well, I think that one has to seriously think about how to correct these imbalances as well as how to respond to each kind of accompanying friction that arises. In any case, based on the three ways of thinking from my time at the IEA, I have the impression that it probably is necessary to think of things within a large scope, as I've just mentioned.

[KANKAI] Now there are various multinational issues such as the Asia-Pacific Economic Cooperation (APEC) framework. At the bilateral level the U.S.-Japanese structural talks are proceeding at this time. I think the issues are concrete ones, but what kind of outlook do you have concerning the U.S.-Japanese structural talks, the second round of which will take place November 6-8?

[Seiki] President Bush and Prime Minister Uno talked together at the Arche summit [this year's G-7 summit in Paris] in July. The talks are proceeding under the premise that next spring we will conduct a mid-term review and 1 year later report the final results. But there are many themes, the objectives of the structural talks, that require time to resolve. It's not a question of something we can promise to settle easily. However, both sides tell each other that the U.S.-Japanese relationship is the world's most important partnership, and since it is basically a good thing to correct what both sides reasonably say should be corrected, I think that we should tackle the issues actively.

[KANKAI] Talk that MITI is losing ground has surfaced, but concerning MITI's role at a time when one has to aim for increasing imports rather than promoting exports, what thoughts do you have, particularly at this time as the General Affairs Division chief of the International Trade Bureau?

[Seiki] These past 5 years, I have seen how MITI reacts in its relations with foreign countries, but foreign countries expect extraordinarily great things from MITI. Even now among the commentary in Europe I come across articles such as "The Myth of MITI." Although certainly there are misunderstandings, since there are expectations we should do all we can to answer them. In that sense, information is probably still most important. It is always the real role of the office to cultivate the ability to analyze however much information one has and link it to a clear policy. If one is not always raising that ability, one probably cannot meet the expectations from abroad.

[KANKAI] Recently television and the press gave Mrs Hills a relatively great deal of attention when she visited here. I think she gained a reputation, as the United States Trade Representative (USTR), as a tough negotiator while wearing a smile. What is your impression of the view from MITI?

[Seiki] It was said that she was tough while wearing a smile, but, as a general impression, I feel that she did things in a rather softer manner than expected. However, I think people in Japan now are overly dramatizing present U.S.-Japanese relations. In the relationship with America what's important is quiet talk and rational consultation. Since the United States is an extremely important allied country of long standing and since telling one another what we want to say and mutually correcting what should be corrected is the right way to go, it is better if both sides do not take things so dramatically. For example, it is an extremely dangerous thing to call public attention to the American revisionists who are saying Japan is a special country with which it is impossible to conduct normal negotiations. As for Japan, I think that what should be avoided most of all is to have Japanese feeling toward the United States turn bad as America continues to say unreasonable things.

## * Academician Looks at Future Relations With U.S.

*902A0039 Tokyo CHUO KORON in Japanese*
*Dec 89 pp 90-100—FOR OFFICIAL USE ONLY*

[Article by Terumasa Nakanishi, professor of British diplomatic history and international relations at Shizuoka University. Born in Osaka in 1947. Graduated from the School of Law, Kyoto University in 1971. Graduate work at Great Britain's Cambridge University Graduate School of History by way of Tokyo University Graduate School. Reached his present position after serving as a Kyoto University teaching assistant and a guest researcher at Cambridge and Stanford Universities. Contributed to this journal, "Looking at Thatcher's Ideal Model of a Prime Minister," in the February 1988 issue: "Avoiding the 'Mistake of the Century'—Questioning Ishihara"]

[Text] The most important thing at hand is whether the Japanese can clearly commit themselves to a "Japanese-U.S. relationship to lead the world." Now that the verdict is in and the cold war is over and communism has been defeated, this is no excuse for "old-style" Japanese nationalism to be tolerated internationally.

### Timing of the Publication of "The Japan That Can Say 'No'"

I never feel good when I criticize the books of others. This is because, with many books in Japan, I proceed to

read what is written, acknowledging this point and agreeing with that point, but do not have a distinct grasp of the conclusions. In that regard, "The Japan That Can Say 'No,'" which is coauthored by Akio Morita and Shintaro Ishihara, is a striking book "worthy of criticisms." This is because whenever I arrived at an argument of Ishihara in particular, I was inclined to disagree.

However, when I finished reading the entire volume, I let out a deep sigh [indicating] that, as my final feeling on the book, "that sort of thing is always good." That frequently occurs in Japan, but I question the format of the book, such as the way in which the important political questions are argued. Ishihara, in the middle of this book, advocates technology as the crux that the modern military must rely on, and writes, "The current ICBM [Intercontinental Ballistic Missile] is called a MIRV [Multiple Independently Targetable Reentry Vehicle], and when it detects an intercepting missile closing in, it splits into eight or nine warheads. This means that some of the nine warheads, which are loaded with hydrogen bombs, will serve as decoys and skillfully lead the intercepting missile astray and destroy it in the end" (page 13). However, I can only think that this is a description which lacks the basic knowledge of the technology required by the modern military. While it is possible to release warheads "by detecting" the proximity of intercepting missiles, there is no way at all that concepts such as SDI can be concluded as possible from this.

Moreover, in another section, giving the reasons behind "the United States and China's planning normalization of diplomatic relations over Japan's head," he argues that the power of high technology was the real cause. He begins his case with, "As is known, after the Vietnam liberation of April 1970...," the United States, which took one satellite photograph after another of the battles of the Sino-Vietnamese war, sent "secret emissary Kissinger" to show these to the Chinese, and to impress the Chinese with its superior high technology, as moves were made toward diplomatic normalization between the United States and China. This not only is a mistake regarding the eras of history and confuses the Sino-Vietnamese war and the Sino-Soviet [border] conflict (although it does refer to the Sino-Soviet conflict in its next paragraph), its grasp of the historical cause-and-effect relationships of current history in the strategic environment which have major significance for Japan, such as relations before and after diplomatic normalization between the United States and China and the Sino-Vietnamese war, and the historical place that the Vietnamese war and Kissinger's diplomacy deserve in that context, is completely in error (pages 142-145).

These cannot be considered mere "nitpicking" in one or two places. Today's Japan must not tolerate busy politicians who commit factual errors on the details of technology and historical periods. Moreover, there seems to be a trend in Japan's publishing world to not regard this point as too much of a problem. However, it cannot become "barbershop political chatter." Moreover, in the case of Ishihara, because both of these cases have the chief aim of establishing the key concept of technology when discussing Japan's strategic and foreign policy options, they contain "fatal" problems. While we should attempt at the very least to drive a hard bargain with the United States before we say "no," we will be driven to repeatedly say "no" when confronted by our lack of knowledge of the current situation. When the English language edition of this work is published, we, by all means, want to move forward and correct this, along with other similar points.

This point aside, when I view this book overall, two things inevitably arise to the surface. The first is that, except in "saying no" to the United States, the positions of Morita and Ishihara, who are the coauthors, are often greatly different, and according to the situation, they seem to take fundamentally different stances on policy toward the United States, which is the theme of the book. The second point is that I have doubts about the sense of timing of these businessmen, which is habitually a subject of concern for politicians. This raises the question of "why now" in regard to the publication of this book. First of all, publishing the book in January of this year occurred at the same time as the inauguration of a new administration in the United States. In a time when a clear policy toward Japan had not come to the fore, as can be seen in the FSX [fighter support experimental] and other issues, there is the question of why a preemptive strike of "no" from Japan was undertaken. Furthermore, it would appear to place Japanese-U.S. relations in an inevitably difficult situation since the month before Gorbachev had spoken to the United Nations about a "unilateral reduction" of Soviet troops and the trend now seems to be that as U.S.-Soviet detente moves swiftly forward, the "end of the cold war" is apparent. Moreover, the enormous trade deficit that the United States has with Japan could easily widen further, and "Super 301" can be expected to be applied to Japan. For that reason, if there is a need to say "no" to the United States it might be considered from the position of a commentator. However, as a student of politics, I have great concerns about the awareness of these two businessmen.

Needless to say, the GATT Uruguay Round has to reach final agreement by December 1990, and it is well known that the question revolves around the extremely great stakes of observing free trade, which is most important, rather than how Japan will become the "bearer of ultramodern civilization." Morita, let alone Ishihara, kept all this in mind, and yet they come across as stating this as their own belief. In short, I think that Ishihara could be considered "overconfident," and therefore, should not only be criticized on points such as "timing" but needs to be disputed about his "confidence." Moreover, that, I think, is essentially the role of a commentator. I say that because Ishihara is a member of the Diet, and he did not dare mention his desire to lead policy groups no matter how small and have a great impact on the basic policy of the government. Hence, as a fellow

commentator, I would like to make public my own ideas on Ishihara's arguments about Japan's paths and options in international society.

**Ishihara's "Materialism"**

There are the following three themes which Ishihara discusses in "The Japan That Can Say 'No'" and subsequent articles about policy toward the United States. First of all, he advocates that when you should emphatically say "no" in negotiations with the United States, say "no." That itself is an entirely fair proposition, and the propriety of it should be fully advocated. This is because part of Japan's approach to the United States, including trade negotiations, is basically unhealthy in a number of areas, and many books have already made this point repeatedly. However, the dramatic appeal that "The Japan That Can Say 'No'" makes on this point may be viewed as significant in and of itself. This insistence on concluding naturally to "say no when you must say no" contains the special significance, however, that Ishihara is openly making his argument and is giving a response insisting on equality. However, basically dissimilar positions cannot be permitted to be wrapped up in Ishihara's argument, positions that many Japanese have, beginning with 1) the dissatisfaction with the United States over various points caused by distortions of the Japanese news media, such as defense and security, and 2) the major issue of Japan's future dealings with the outside world, in addition to 3) the trade issue. On this point, it would seem that Morita was the first one hurt by this "wrapping up" [of dissimilar positions]. In fact, Morita should say no emphatically to Ishihara rather than to anyone else first.

However, on second thought, what we should take note of today is that Japan already says "no" to the United States on many things. On top of that, in some cases, there are important issues where saying "no" entails risks. For example, Ishihara strongly criticizes the Ministry of Foreign Affairs for interfering with the attempt of Japanese shipping groups from parting company with the United States over the Persian Gulf and taking a separate course of action. Japan, in rejecting the proposal of the United States, for the sake of this attempt, clearly said "no," and from the common practice of alliance politics, it was a "risky rejection" of the United States according to the situation. The problem is that the Japanese news media did not report that in a noteworthy fashion. An even greater problem is that there were leaders among the government and the opposition who realized that, based on the circumstances, this was a risky "no."

The second theme of Ishihara's argument is the "racial discrimination argument," which is a problem that is frequently pointed out. That is that at the heart of the U.S. attitude toward Japan and its policies is discrimination of the white race toward the yellow race which is difficult to eradicate. That, along with the argument for a technology civilization, which can be called the "pure technology argument" and which is the third theme, are both presented in an extremely crude fashion. I think that this racial theme is used just in case he is accused that he is only aiming at "provocation." Virtually all Japanese are aware that many white people of Western European extraction and not just Americans hold strong racial feelings toward us. Moreover, that is understood to be one of the causes underlying the present friction between Japan and the United States. Four years ago, a WASHINGTON POST journalist, Hobart Rowen, criticized Theodore White's famous "anti-Japanese" essay entitled "Danger From Japan," which was published in THE NEW YORK TIMES magazine, saying, "To attribute all of the problems of American industry to Japan is a cheap attack. The importance Japan has for the United States from a security standpoint is ignored, and the ugly hostility against Japan even has a racial bias." (3 August 1985)

However, bringing up and invoking "racial bias" as a policy problem, is not only vulgar behavior that just points to a dishonorable trait of the other party and decries its ugliness, it can be called the stupid behavior of someone who forgets that he has the same habit. The "Japanese culture argument," which advocates the uniqueness of Japanese culture, can be taken as an argument for racial superiority, and is becoming an easy target for criticism of Japan throughout the world. We should not forget even for a moment that the majority of the world is inclined to view us today as "racists." British Prime Minister Baldwin, in 1929, after experiencing several years of severe conflict between Great Britain and the United States over oil rights, confessed, "Americans truly act as if they have a fever and attempt to peck away and snatch our empire's natural resources through the power of money." Today Japanese firms that are developing oil resources in the Gulf of Mexico are operating by freely purchasing the rights of U.S. oil companies. There was violent enmity between countries of the same race like the United States and Great Britain, but 60 years later, Japanese, who are of an entirely different race, can enjoy this much free access to a resource like oil which is life or death for us. "Race" is not at the bottom of this [problem]; rather, it is "system."

A wide variety of arguments regarding technological civilization are sprouting in Japan today. Ishihara's "Historical Perspective of Technological Civilization" says that "the superiority of the white race" is the source of the technological superiority of modern Europe, and the technological superiority of Japan, which centers on high technology, raises the possibility of [Japan] growing into an ultramodern civilization. If that is the case, then a change in the "leading roles" would take place. If we separate out the point that tacitly advocates Japan's exclusive superiority, that itself would be a somewhat simplistic theory of technological supremacy, and could be considered a "barbershop political chatter" theory of civilization. However, I am concerned that the view of history and international relations is strikingly materialistic. Today, the materialistic historical perspective of

the "left" is finally retreating both in Japan and in the whole world, and we are in a period in which the climate of thought emerging is one that appeals to Japan. Therefore, if in this period, "materialism from the right" reigns supreme, cultured men would truly be useless.

It is clear that the great trend of civilization is largely connected with technology. However, when considering the fate of nations, we must focus not on the direction of "civilization" but on other great historical trends. "Politics" and "options" are involved in that. However, Ishihara's theory of a technological civilization states that the card of high technology "is the political stratagem for decades, not to mention centuries, for a nation. An indigenous FSX for our defense is a metaphor of that 'great thing.'" I feel sorry that while pointing out the need for a long-term strategy for Japan, he constricted it to a technology theory of an aircraft, which among jet fighters, is extremely limited in application. Ishihara only thinks that Japan's superiority in high technology and "ultramodern civilization" is connected, and, as such, he lacks "strategic" thinking. Even if he says that this is completely a self-development, to what extent will that contribute to Japan's long-term security and a greater national strategy? The "fatal" gap between the self-development theory and the joint development theory is that the former lacks a strategic theory.

**Mistake of Acceptance of the Soviet Union**

From this sort of perspective, the 1983 decision by Prime Minister Nakasone to provide the United States with weapons can be seen as demonstrating statesmanship in and of itself (although other political leaders criticized it). Even though there was no compensation correspondingly tied at the same level, there was political collateral of a greater dimension, and his awareness of that may be considered to be greater national strategic thinking. Right before the United States entered World War II, Great Britain provided the United States with radar technology upon which its battle against Germany relied and with unprecedented knowledge of something even more important: cryptology. Even with that, Churchill might not have obtained the grand political collateral (the entrance of the United States into the war) had Japan not attacked Pearl Harbor. Alliance relationships must be sought even when such compensations are paid. For example, it was resolved to give special citation to the provision of communications intelligence of the Self-Defense Forces by Japan to the United States in 1983 when the Soviet Union shot down Korean Air Lines 007. It was the U.S. Congress which passed a resolution of gratitude to us. Anyone who has a basic awareness of strategy can understand the major contribution of weapons technology and strategic intelligence, which cannot be calculated by a "percentage" of defense expenditures. We must seriously confront criticisms that we are "stealing a ride" and tenaciously rebut these. This is something to which it is fair to emphatically say "no!"

The joint development of weapons in an alliance is always an edgy issue. The history of NATO is full of recollections of betrayals on this point. The United States, which has attempted to keep in check the military technology of its allies, has repeatedly slowed down its European NATO partners through pressure. That was an unavoidable friction among allies with a common level of technology. Unless an alliance is a "club of comrades," it will not be a "blood alliance" which can suppress everything and unite against a hypothetical enemy. Even when an alliance is healthy, there will be times when the interests of individual alliance members take precedence. The current FSX issue demonstrates a reality in which the rise of Japan's power in technological strength, economic strength, and military strength is swiftly coming to a head. Therefore, this serves as an example of sound judgment failing, in one instance, in spite of the best response being that Japan and the United States should enter into a new relationship as equals. Even if it could be said that self-development were possible, Japan would obtain far greater benefits if there was a dramatic concession by Japan and joint development proceeded in a manner that everybody could understand, in which the Japanese side clearly worked out the concept of "burden sharing" and allowed the United States to "steal a ride." If it is said that there are no politicians in Japan who could do such a thing, then, on just this point, we might have to accept Van Wolferen's proposition that "there is no center of power in Japan." Then, what Japan's long-term strategy must give primary attention to is educating its politicians about this and creating a "center of power." In any case, it will be difficult for a union of politicians without leadership and techno-nationalists without strategy to develop an ultramodern civilization, much less 21st century Japan.

We must pay attention to the fact that Ishihara's argument of Japan taking advantage of the leverage of negotiations with the United States by displaying the card of selling high technology to the Soviet Union as a way of countering "threats" by the United States virtually does not have a leg to stand on diplomatically, given the current progress of cooperation between the United States and the Soviet Union. Ishihara strictly bases "idealism" as his source for maintaining an independent posture toward the United States, and apart from raising this point, the actual recent great unity of interests developing between the United States and Japan is such that even the Soviet Union, which covets Japan's high technology, would not accept such an offer, if that led to a worsening of relations between the United States and the Soviet Union. Even the second-rate high technology of the United States and Europe is of superior quality to that of the Soviet Union. In any case, Soviet distrust of Japan with which it has fought three wars since the beginning of the 20th century (the Russo-Japanese War, the Siberian intervention, and World War II) would not allow it to calmly accept Japan providing it with high technology that was accompanied by such ambitious behavior. At the very least, the Soviet Union is acting on the basis of determining to what extent its basic policy toward Japan up to now of "separating Japan and the

United States" is still in its interests today when full-fledged cooperation between the United States and the Soviet Union is moving forward. In other words, its "desire for high technology" may be nothing more than a secondary motivator no matter how large.

**On Japan-U.S. Security**

Ishihara's position concerning the Japan-U.S. Security Pact is unclear in one reading. In "The Japan That Can Say 'No,'" he says, "Soon it will be all right if Japan is not defended. We can get along with our own strength and our resourcefulness," and "Because of the current situation, Japan does not necessarily need the Security Pact, and if this present situation remains as is, then Japan will have the capacity to be fully independent." In the November issue of BUNGEI SHUNJU, in an article entitled "No Is No," he says, "Of course, although the Japan-U.S. Security Pact is necessary for the time being...." That truly gives the image of wavering like a "confused adolescent." However, conclusions like "Protection under the American nuclear umbrella is an illusion of the Japanese people," and "There are virtually no experts in the Japan Defense Agency who acknowledge that Japan today receives American protection" are frankly arbitrary and biased. In fact, the effect of nuclear deterrence is an issue which no one can strictly verify, and the conclusion has long been rendered that there is no way to know every discussion within the leadership of the Soviet Union or China, or North Korea, which is said to be developing a nuclear capability. Moreover, it is certain that it would be difficult to find someone in the Japan Defense Agency who agrees with Ishihara.

However, the fact that Ishihara proposes the need to rethink fundamentally once more the propriety of the Security Pact may raise a question worthy of study today. This is because, more than anything else, I believe that this year awareness of this question has somehow surfaced from various directions. In fact, Ishihara's turn of phrase that "the Security Pact is needed for the time being" has been heard from other quarters. About a half year after the publication of "The Japan That Can Say 'No,'" Tokyo University Professor Motoyuki Asai's recent literary masterpiece, "Japanese Foreign Policy—Reflection and Reversal" (Iwanami Shoten) was published, and while it did not come out clearly in favor of armament or disarmament, he advocated a policy of neutrality based on the legalization of the Three Nonnuclear Principles (pages 138-139). Then, this theory from the "left," which argues that the Japanese-U.S. alliance is unnecessary, can be seen as reaching surprising agreement on three points with the Security Pact argument of Ishihara. First is the point that the United States had the intention of controlling postwar Japan totally as a "victim" which it could freely manipulate for its own purposes. The second point is to adopt a pro-Asian viewpoint, such as "Today look to Asia" and "Leave Europe, enter Asia," and, in any case, as a result, adopt the theory of dissolving or revising the Japanese-U.S. alliance. This sort of discourse currently is spreading like wildfire across the ocean, and in parts of the United States, the argument has emerged suggesting a revision of the Japan-U.S. Security Pact under the slogan, "Let Japan go it alone" or "Leave Japan alone." The Japanese-U.S. alliance appears to be under attack from three unexpected directions.

In fact, this argument in part of the United States to "leave Japan alone" shares in common with the "revise the Security Pact argument" in Japan the point that postwar Japan, in the final analysis, exists as a result of the United States "treating it in that way." (For example, see "Leave Japanese Things to Japan" by Ronald Morse, SEIKAI SHUHO, 10 October 1989.) Moreover, there is the argument that the continuance of the Security Pact is a risk in that, while the Security Pact need not be completely revised, the chick known as Japan, which is "pinioned" to its mother hen known as the United States, has become too big. (Tadahiro Takubo, "The Problem Is not Money...," SHOKUN!, November 1989) The point that both arguments share in common is that the Japanese-U.S. alliance is too solidly tied to the context of the postwar period, and, for that reason, the great potential possibilities that the alliance has for the future are simply ignored by seeing as absolute conditions for continuance of the alliance, "the cold war" and "tiny Japan."

In May of 1947, a committee was formed in the State Department in Washington to deal with the long-term plan of U.S.-Japan policy. George Kennan, who was the drafter of the policy of containment of the Soviet Union, was appointed the chairman of that committee. After arriving in Japan in March of the following year and talking with MacArthur, a report which he authored argued clearly how the United States should work to reverse occupation policy and where Japan should be placed in the cold war struggle with the Soviet Union. This report subsequently set the direction of Japanese-U.S. relations. In testimony which Kennan gave to the Senate in May 1989, he announced that the "Russian Revolution is over" and he similarly clearly argued that this is the time to end the cold war period. This fact, through a person of the stature of Kennan, indicates that, in the abstract, "a period of Japanese-U.S. relations has ended."

Today both the United States and Japan need a "second Kennan" to determine what sort of Japanese-U.S. relationship should be devised for the future. Bruce Stokes, in the NATIONAL REVIEW, calls for "Beat 'em, or Join 'em," (25 February 1989). Today there appear to be two opposing views toward Japan contending with one another. One is the "Japan is different argument" and, consequently, Japan "should be left to its own" to grow. The other continues the tradition of Kennan's "attempt of a foreign relations concept." It is an attempt to set, over the long term, a structure to move Japanese-U.S. cooperation forward with a world role kept in mind. To be sure, the "Japan is different argument" is not absolutely wrong. The fact that Japanese and U.S. societies are completely different, like the difference in races, has

been known for a long time. The only mistake is that "separate rules apply because of the differences." Consequently, one question is whether the confidence that Americans have had toward Japan since the 19th century, namely, that Japan can change, has disappeared. If that is the case, it may truly be that the "decline of the United States" has occurred. It is clear that the representation of the historically idealistic vitality of the United States is the attempt to conceive of long-term Japanese-U.S. cooperation.

**Future Stance of Japanese-U.S. Relations**

In 1960, John F. Kennedy wrote, "The real war in Asia is between China and India. That war concerns which of the two countries will become the model for the future development of Asia," ("The Strategy of Peace," pp 141-142). Today, 30 years later, it is clear that it is Japan which won the war and became the model for Asia. Japan has accomplished its national objectives in one generation. In short, the "end of the cold war" overlaps with the "end of national objectives" for Japan. Consequently, the most important thing now is whether, after the "postwar Japanese-U.S. relationship" recedes into the background with the end of the cold war and the end of old Japan, the Japanese will be able to commit themselves clearly to shifting to a Japanese-U.S. relationship to lead the world, which Americans are raising unilaterally. The Japanese-U.S. friction has taken on the following scenario, which does not have a vision and an "anxious America," which has been psychologically shocked, and now turns its attention solely to the future trend of Japan's power which has dramatically come to the surface. On the other side, an "inert Japan," which similarly lacks a vision, and is concerned only about the current situation, has begun to feel the need to strike back and question why it is always being beaten up. The way out in the future is none other than for Japan to participate positively in the debate on long-term Japanese-U.S. relations and to explicitly indicate its future stance.

I think that the important themes for that purpose are probably the following three. The first is to make known now, in a world in which the "post cold war" has arrived, the necessity and orientation toward furthering close Japanese-U.S. cooperation, including the Security Pact. The second is the determination of Japan to accomplish the construction of a new society and to make it an open one. The third, then, would be to show the world the direction of Japan's new nationalism in the "post cold war" world. I think that individualism, which is not yet a completely mature and permanent feature of our society, and a new awareness of the value of freedom not just limited to economic freedom are indispensable as guideposts for the three themes. There may be a need to add a new spirit of social justice to this. The structural changes in Japanese politics that erupted with the Recruit scandal and the consumption tax, along with the "end of the cold war" and the intensification of Japanese-U.S. friction, can be seen as creating a "large opportunity" to change Japanese-U.S. relations and Japanese society from the long-term perspective.

The fact that the Security Pact makes up the core of Japanese-U.S. relations will not change in the future. The lessening of the "Soviet threat" over the long term is something that cannot be doubted. However, the real difficulty for Japan's external relations in any era is China. However, the fact that this had been hidden under the shadow of the "Soviet threat" and decisively concealed the large military imbalance, including nuclear, between Japan and China, must lead to acceptance of the Japanese-U.S. alliance. We must not forget that the balance between Japan and China, which has grown in this way, supports the present era of "Japan-China exchange." Moreover, the current friendly relations between Japan and China, which ensures that, is closely tied to the current regional stability of East Asia. The Japanese-U.S. alliance has been the decisive keystone to the complex strategic balance in East Asia, to a certain extent as a product of chance and to a certain extent as a natural function. This complex balance includes the hostility between North and South Korea, the enmity between China and Vietnam, the delicate relations between China and Taiwan, and the balance of U.S. commitment to support South Korea and China's maintenance of influence on North Korea. In other words, this is a keystone which, if undone, will destroy everything.

A severe shift in the strategic climate of Asia is not a good thing for the United States either. The United States, as a Pacific Rim nation, would receive an extremely large impact both strategically and economically, and its position as a strong country in the world would be decisively weakened. Moreover, if the United States were to go through with the option of "leaving Japan alone," this would cause a fundamental deterioration of world politics and not just great changes in Asia. Were Japan and the United States, which produce 40 percent of the world's GNP and which support the majority of the world in technology and financing, to loosen the bonds of cooperation, world politics overall would be under the sway of disorderly competition and suspicion, and this would again cause a long and great disaster for all humankind. I shudder just to think of such a world today, when the cold war is coming to a close. If the United States makes this type of choice, "the mistake of the century," which the U.S. Congress committed in 1919, the decision to reject membership in the League of Nations, will reappear. The world desires from the bottom of its heart enhanced cooperation between Japan and the United States. Lee Kuan Yew of Singapore has declared, "If the Japanese people resolve that the economic and security relationship with the United States has lost its force and that Japan's own defensive strength should be increased, the results would be disastrous (for the world)," (INTERNATIONAL HERALD TRIBUNE, 12 November 1987). Moreover, the English magazine, THE ECONOMIST, has appealed, "Now is the time that the United States should devise seriously

with Japan the most appropriate means for moving the world beyond the postwar world and, what's more, beyond the world of the 1980's. The Japanese-U.S. partnership itself joins forces to contribute to a free economy and democracy, and that is one of the world's greatest desires," (25 February 1989).

**A Little More Tolerance**

However, when Japan commits to the direction of that sort of Japanese-U.S. cooperation, what will be required are not just costs and burdens. Japan, which plays a world role, will have to straighten out its current nationalistic attitude. "Burden sharing" has frequently put another way as "responsibility sharing." The word "responsibility," along with meaning "accountability," also includes the sound of "authority." In other words, "the sharing of the burden" means that Japan's power by necessity will increase. For that reason, at the base of Japan's nationalism in the future must be a clear commitment to internationalism. The ideal of internationalism does not merely mean international cooperation but means attempting to positively find one's own identity outside of "being Japanese," and the nationalism of Heisei Japan must receive that ablution. In Japan of the postwar period, the acuteness of the separation of the ideological design of the cold war and the system of politics known as the 1955 system has given the role of national symbolism a greater significance than ordinarily, and there was a tendency both domestically and internationally to confront its [the role of national symbolism] excesses with tolerance. Today, with the rise of Japan's national power and the intensification of economic friction, the old-style nationalism is attempting to make Japan's personal demands stronger, and the previous tolerance is disappearing. We must pay attention to this. With the end of the cold war and the complete defeat of communism a certainty, there is no reason for "old-style" Japanese nationalism to be tolerated internationally. Just as the security and defense policies of the Japan Socialist Party are being forced to change, the "national consciousness" of conservatives must also be forced to transform.

Ishihara's view of nationalism is as follows: "Partnership does not mean becoming the servant of another. Japan's culture and customs, of course, may be in the minority, but there is no need to become servile, and there is also no need for it to be eroded," (SAPIO, 12 October 1989). This is not at all unhealthy as far as it goes. However, he also says the following in "The Japan That Can Say 'No,'" "I feel that when Japan asserts itself on some great issue and clearly says 'no' to the United States, the world view of the Japanese people will change. I believe that when the Japanese people are aware of the 'no' that Japan has uttered, they will for the first time be able to enter into association with the world as respected adult Japanese and will enter the world's innercircle." Here saying "no" has the reverie of a "leap of do-or-die" in order to become a mature adult. That is like a real-life adolescent son trying to play at being an adult through decisively opposing his father. The purpose of Japan's acting in this manner could be anything, and could be considered to be an Oedipus complex toward the United States. If the Japanese people, whose depth of intellectual interests matured up to the 1960's are now caught up in a period where the impulse is to "become counter to the United States," that might be seen as natural. However, history has pointed the way for us to become "adults." U.S. Deputy Secretary of State Kimmit, who recently visited Japan, citing the words of 19th century British Foreign Minister Palmerston, said, "There are no permanent allies without an eternal enemy. What is eternal is just the national interest of one's nation." The space in which national interest can coexist is where it enjoins cooperation resolutely. The road to becoming an "adult" is to repeat over and over again the dispassionate debate over what are Japan's national interests. For us to attempt to become "adults" through the collective behavior of saying "no" represents an unhealthiness of the mind, but reaching maturity one person at a time through discussion might lead to a "grown-up Japan."

In closing, I think that I would like to tie things together by citing the following statement for both Americans and Japanese who have not yet attained full maturity: "We strongly feel that the United States has not made a complete contribution to international society. We have the right to demand that the United States attempt to do much more to maintain Western European civilization.... The enormity of the wealth of the United States will be deemed to be worth nothing at all in the court of history in a period when it is clear that the United States is only seeking interest payments on debts without contributing anything itself to the welfare of the world," (A. G. Gardiner, "The Prospect of Anglo American Friendship," FOREIGN AFFAIRS, October 1926, p 17).

The author, A. G. Gardiner was born at the peak period of the Victorian court and was a journalist who died in the year after the end of World War II. This statement of his conveys an important lesson to some Japanese. That is that the United States, which did not heed his warning, subsequently was the cause of the worldwide "Great Depression" and World War II. Therefore, those Americans who are impetuously shouting "do away with Japan," might, along with reviewing the past attitude of their own nation, show "a little more tolerance" by extending their hand to Japan, which is earnestly making every effort today to "change."

## Voluntary Restrictions on Car Exports to U.S.

*OW1201000690 Tokyo SANKEI SHIMBUN in Japanese 5 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] With regard to the voluntary restrictions on Japanese automobile exports to the United States, which will expire on 31 March 1990, the Ministry of International Trade and Industry [MITI] decided on 4 January to maintain its fiscal 1989 quota of 2.3 million units in

fiscal 1990. MITI Minister Matsunaga will announce this decision during his visit to the United States starting 8 January. It is believed that last year's exports of Japanese-manufactured automobiles will fall below the set quota, thus making it the 3d consecutive year, starting in fiscal 1987, of below-quota exports. This is attributable to the expanded local production by Japanese automobile manufacturers in the United States, and thus renders meaningless the voluntary restriction on exports. However, the ministry has decided to alleviate U.S. concerns by continuing the existing measures in consideration of the slump in the U.S. automobile market and increased layoffs by U.S. manufacturers. The voluntary export restrictions, which started in fiscal 1981, is becoming increasingly a permanent setup 10 years after its implementation.

The MITI notified all firms exporting to the United States about the decision to continue the voluntary export restrictions within the existing framework on 4 January and obtained their basic understanding. MITI Minister Matsunaga is scheduled to inform the U.S. Government about this decision during his visit to the United States through Japanese Ambassador Murata. Each manufacturer's allocation also will be maintained at the current levels.

The MITI commenced an in-depth study last November on how to deal with the voluntary restrictions in fiscal 1990, and for a time was set to adopt a position calling for its abolition in the wake of decreased finished automobile exports because of the setting up by six Japanese manufacturers of local production in the United States.

However, the ministry decided to continue the voluntary restrictions in consideration of the following factors: 1. The U.S. automobile market is at a low point, and sales are expected to drop below 10 million units in 1990 for the first time in 7 years; 2. Japanese manufacturers' automobile production in the United States, which exceeded 1 million units in 1989, is becoming a new point of friction; and 3. layoffs by the U.S. big three, including GM (General Motors), reached 40,000 last fall.

With regard to the fiscal 1990 voluntary restrictions, UAW (United Automobile Workers) Chairman Bieber sent a letter to MITI Minister Matsunaga last December, saying the restrictions should be continued and that the limit should be set at 1.5 million units. On the other hand, there have been strong demands by manufacturers at home which are not engaged in production in the United States to abolish the restrictions. In the end, the ministry took a safe option considering that there is no sense in abolishing the voluntary automobile export restrictions, which has the "reputation" of being the symbol—although it exists in name only—of Japanese-U.S. economic friction, and that at a time, when it is facing such pending problems as the structural talks, it is not advisable to abolish the restrictions.

## U.S. Base Local Employees To Be Paid by Japan

*OW1201134390 Tokyo MAINICHI SHIMBUN in Japanese 10 Jan 90 Evening Edition p 1—FOR OFFICIAL USE ONLY*

[Text] In relation to the question of sharing the U.S. forces' expenses, the Government on 10 January firmed up its policy to take over from 1991 the full costs of Japanese employees' basic pay, which runs to about 60 billion yen a year. This was revealed by a government source on the same day, and, according to the source, the government policy is to secure necessary funds for the expenses in the next-term defense buildup plan, beginning in 1991.

Under the existing Status of Forces Agreement [SOFA], the pay for Japanese employees working in U.S. military bases in Japan is supposed to be paid by the U.S. side, but, under a special agreement concluded in 1987 and amended the following year, various allowances, including retirement benefits, became exceptional cases, which could be paid by the Japanese side. This policy, deciding to go further and take over even the basic pay costs, consequently, is in conflict with the original spirit of SOFA. The Government is planning to have the special agreement amended again, but apparently there is no question that this will cause disputes in the Diet.

On the question of Japan sharing costs to maintain the U.S. forces in Japan, the U.S. Government, pushed strongly by the U.S. Congress, has repeatedly called on the Japanese Government to increase its share. The Japanese Government, which has been increasing its "thoughtful budget" since 1978, initially insisted that "it is impossible to increase the burden further under SOFA," but has recently decided to agree to increasing the share, from the judgment that there is no doubt that the United States will step up its demand, entwining the Japan-U.S. trade friction issue with the security issue.

The basic pay for Japanese employees on the U.S. military bases amounts to an exhorbitant amount of 60 billion yen a year. This has been the sector in which the United States has been most interested. SOFA, concluded on the basis of the Japan-U.S. Security Treaty, in Article 24, provides that the United States should bear the costs of maintaining and operating the U.S. Forces in Japan, and since the pay and various allowances for the Japanese employees belonged to this category, they were all borne initially by the United States. The special agreement was reached in 1987, and was amended the following year. This agreement made an exception of various allowances, and Japan has come subsequently to increase its share of payment for these allowances. Beginning this year, all allowances are to become the responsibility of Japan.

The decision to go as far as to take over the costs for the basic pay comes from the fact that there are almost no other areas where the burden can be shared between Japan and the United States, and also from the judgment that, as long as the pay is for Japanese, it should be

relatively easy to obtain the understanding of the people, (according to a government source). The Government has decided not to accept fuel, light, and arms repair expenses at this time, judging that it would be even more difficult to gain public understanding on them, as they are considered the expenses for the fundamental maintenance of the troops.

The government will prepare for the amendment of the special agreement while proceeding with the work of drafting the next-term defense buildup budget due to be completed by the coming summer. With the mood for alleviation of tensions spreading over the world, voices are emerging that the substance of the Japan-U.S. Security Treaty should also be changed. It appears certain under this situation that disputes on the pros and cons will be raised over the rationale for Japan's takeover of defense spending from the United States, and for Japan's ceaseless increase in share of costs to maintain U.S. Forces in Japan as a way of easing Japan-U.S. economic friction.

### Government To Pay Utility Bills of U.S. Forces

*OW0701004590 Tokyo THE DAILY YOMIURI in English 5 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] The government intends to assume all expenses for utilities and facility repairs incurred by U.S. military forces in Japan, government sources said Thursday.

Assumption of these new expenses will require revision of the agreement regulating U.S. Forces in Japan, sources said, adding that the latest actions are being taken in response to U.S. congressional demands that Japan assume a greater part of the burden of supporting U.S. Forces here.

Revisions of the agreement, first initialed in 1987, have gradually increased Japan's contribution to the costs of Japanese workers at U.S. bases. The government plans to assume 100 percent of personnel costs by the end of fiscal 1990.

The new expenses to be covered include all light, heating and water bills, and building maintenance costs.

The proposal does not include salaries for Japanese employees, however, which is the chief U.S. demand.

### Reexamination of Defense Treaty With U.S. Urged

*OW0801001190 Tokyo MAINICHI DAILY NEWS in English 6 Jan 90 p 2—FOR OFFICIAL USE ONLY*

[Editorial: "Establishing a New Peace"]

[Text] The old world order ended last year with the American-Soviet summit meeting at Malta and the opening of the Berlin Wall. These events signified the ending of the cold war and the advent of an age of disarmament.

At Malta, Soviet President Mikhail Gorbachev proclaimed the end of the cold war. U.S. President George Bush responded with a message of wholehearted support for the Soviet Union's perestroyka.

This Malta spirit of peaceful coexistence, transcending the difference of political systems, made it possible for the total elimination of intermediate-range nuclear missiles to be followed by the start of negotiations on the reduction of strategic weapons and on conventional weapons in Europe.

George Kennan, who advocated in the 1940s an American blockade of the Soviet Union, told the Foreign Affairs Committee of the U.S. Senate last year that "the age has passed for considering the Soviet Union as a military enemy." U.S. Defense Secretary Dick Cheney declared that "the fear of a Soviet-American war has dropped to its lowest point in the postwar period." The age of arms expansion up to the 1980s has greatly changed, together with the easing of East-West tension.

It would be too optimistic, of course, to see the new decade as being entirely rose colored. The shape of the new world order to come in the future after the Malta summit meeting is not yet visible. Disarmament is attended by many difficulties.

The current that is now flowing in the world, however, could not have been imagined in the first half of the 1980s, prior to the appearance of Gorbachev on the world political stage. Even the Soviet Union and the United States, the chief cold war protagonists, have now found it necessary to plan for large decreases in military budgeting and troop strength.

The nuclear weapons possessed by the United States and Soviet Union are more than sufficient to destroy the world many times over. The constant danger exists that some unforeseen accident might trigger the doom of mankind.

At the same time, the huge military budgets and personnel devoted to arms expansion have oppressed the economy and social welfare, leading to stagnation of the economy and devastation of society. That the American, Soviet and other world leaders now fully realize this fact is of the utmost importance.

International politics in the post-cold war age naturally face a change from "confrontation" to "dialogue and cooperation," from "armament" to "disarmament," and from "American-Soviet rule" to "multipolarization." Not only the defense policy of a single country but such postwar frameworks as collective security and military alliances now face the need of a change.

By foregoing the "nuclear deterrent" that seeks peace through a balance of "nuclear fear," the concept needed is that of "common security" transcending borders that seeks the path to a better life for not only one's own country but for other countries as well.

The end of the codl war will reduce the ratio of the military phase in international politics. Emphasis should be placed on overall security, including such non-military factors as the stability of the economy and the people's livelihood. The curtailment of military expenditures could well be applied to relieving poverty in the developing countries.

Regional imbalance in disarmament is bound to occur. Worldwide cooperation is needed to prevent regional conflicts in the Third World, including the Middle East, curbing nuclear proliferation, and prohibiting the supplying of arms to various countries.

The U.S.-Japan Mutual Security Treaty should also be restudied. By reducing militiary expenditures, emphasis should be placed on economic cooperation and the United Nations' peacekeeping activities.

A conversion should be made from "a century of wars," marked by two world wars and the cold war, to "a century of peace."

### Paper Says U.S. Panama Invasion Not Legitimate

*OW0601165090 Tokyo ASAHI EVENING NEWS in English 5 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[ASAHI SHIMBUN 5 January editorial: "No More Panamas"]

[Text] Panama's strongman, Gen. Manuel Antonio Noriega, whom the United States hunted down with an invasion of Panama, has surrendered to U.S. forces and brought down the curtain over the friction that has grown between the two nations over the past few years.

As Washington has begun to lift economic sanctions against Panama, the Panamanian economy is expected slowly to return to normal. And Guillermo Endara's government, recognized by Washington, may strive to fan out a circle of international recognition.

Noriega is reported as having "voluntarily" left the Vatican Embassy in Panama City, where he took refuge in in quest of a political asylum. It is not hard to imagine how great Washington's pressure must have been on the Vatican.

The Vatican's decision must have been significantly swayed by the fact that Noriega was wanted in the United States on suspicion of dealing in narcotics, a practice the Vatican itself deplores.

A profoundly grave social issue faces the United States as cocaine, smuggled in from Latin America, has physically gnawed away at the nation's vitality. Noriega was reportedly at the center of many drug smuggling deals.

Besides, Noriega considered Panama's presidential election to be of disadvantage to him and declared it null and void. Then American military servicemen were killed and injured.

Despite all those developments, we have to emphasize that the U.S. invasion of Panama cannot be called legitimate. Last month, the U.N. General Assembly adopted a resolution expressing regret over the intervention of American military forces. Washington must accept it with humility.

There arose increasing calls among the Panamanians for Noriega to cede power. It must be described as an extremely extraordinary state of affairs that a man suspected of dealing in narcotics remained a dictator. But the solution must be found by the Panamanians themselves. It may take time, but this is never something for which a solution can be found by the armed intervention of some other nation.

During the military intervention, U.S. troops stormed the Nicaraguan ambassador's residence, and also held the Cuban ambassador under house arrest for some time. This sort of posture taken by the American forces in disregard of international law might be described as evidence that the United States continues to look upon Latin America as its backyard.

It is up to the United States to do everything in its power to improve ties with those countries. For this, it is necessary for Washington to pronounce that it will never resort to armed intervention of this sort again.

Between the United States and Latin American nations, there are knotty issues, such as control of the Panama Canal, and relations with Cuba and Nicaragua. Should those questions get entangled, it cannot be guaranteed that Washington would not again rattle its sabers.

But it is to be noted that each time Washington repeats such acts it will lose the trust of not only Latin American nations but countries in other regions as well.

## Soviet Union

### Government to Support USSR Role in GATT

*OW0701013290 Tokyo THE DAILY YOMIURI in English 4 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] The government intends to support the Soviet application to join the General Agreement on Tariffs and Trade as an observer as a result of consultations with the United States and within the government, a government source said Tuesday.

The government will announce its decision at a council of GATT representatives meeting in Geneva in February.

The government's decision to approve Soviet participation is a major departure from its past reluctance to support Soviets to attain an observer status.

Previously Japan, among all the member nations, voiced the strongest opposition to the participation by the Soviets in GATT on the principle that political and economic matters should not be treated separately. This

principle was construed as meaning that Japan would not support the Soviet Union economically as long as the northern territorial issue remained unresolved.

A government representative will announce at the GATT meeting that Japan favors admitting the Soviet Union after the current multilateral trade negotiations, popularly known as the Uruguay round, were completed at the end of 1990.

One of the reasons why Japan took a negative stance was that it wanted to see progress in Soviet economic liberalization first since the Soviet Government completely controls the nation's trade. Another reason was the northern territorial issue.

The GATT member countries include several East European nations and Cuba besides the Western nations. China has already qualified as an observer and has been applying for participation as an official member since 1986.

The Soviet Union applied for participation in 1986.

### Ministry 'Source' on Gorbachev-Abe Talks

*OW0901100090 Tokyo TOKYO SHIMBUN in Japanese 6 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Text] Commenting on a meeting set between Supreme Soviet Chairman Gorbachev and former Liberal Democratic Party General Secretary Abe for 1100 on 15 January in the Kremlin, a Foreign Ministry source on 6 January attached particular importance to the fact that the schedule for the meeting was set when there was speculation that the chairman might have suspended all diplomatic contacts for this month.

On why the chairman decided to meet with Mr Abe despite the domestic situation of a worsening economy and the very difficult ethnic problem, the Foreign Ministry source made two-sided observations. One is that the chairman wants to let the world know that he has not stopped all diplomatic contacts for the month. Since the chairman announced the postponement of a meeting with British Labor Party head Kinnock scheduled for 16 January in Moscow, there has been widespread speculation throughout the world that he has stopped all diplomatic activities for this month and that the difficulties the chairman is facing at home are more serious than expected. The Foreign Ministry source gave his view that Chairman Gorbachev saw need to put a stop to the speculation and to let the world know that the Gorbachev regime was in good shape, and decided to hold the meeting with Mr Abe without delay, which has been high on a list of priorities on his diplomatic schedule for this month.

The second observation is that in the diplomacy of new thining pursued by the Soviet Union, the weight of Japan may be increasing. There are many who think that when the Soviet Union implements its diplomacy of new thinking in the Asian and Paicific region, it will come to realize the importance of Japan's existence.

### Abe Recognizes 'Need' for Expanded Relations

*OW1301051290 Tokyo MAINICHI SHIMBUN in Japanese 11 Jan 90 Evening Edition p 1—FOR OFFICIAL USE ONLY*

[Text] During his visit to the Soviet Union at the head of a party delegation, which begins 13 January, Shintaro Abe, former Liberal Democratic Party general secretary, will reveal a plan to Gorbachev, Supreme Soviet chairman (and CPSU general secretary), when they meet on 15 January, to hold a large-scale "Japan Culture Week" program in Moscow in late September. This was disclosed by a source close to Mr Abe on 11 January. This will be the first Japan Culture Week program to be held in the Soviet Union.

While reiterating that the solution of the northern territories issue is a must for an improvement in Japanese-Soviet relations, Mr Abe will let Chairman Gorbachev know that he recognizes the need to establish wide-ranging Japanese-Soviet relations through stepped-up cultural and other exchanges, and thus signal a departure from the past inflexible stand of "not separating politics from economy." He also plans to have forward-looking discussions on personnel and economic exchanges.

The "Japan Cultural Week" is due to be held for 1 week in late September. It is to be sponsored by private groups and funded with government subsidies. The rich program will showcase traditional Japanese arts including painting, music, ceramics and fireworks, along with modern-day fashion shows.

### Abe Interviewed on Upcoming Talks in Moscow

*OW1301135190 Tokyo YOMIURI SHIMBUN in Japanese 13 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

["Summary" of interview with Shintaro Abe, former Liberal Democratic Party general secretary, on the eve of his departure for a visit to the Soviet Union, by an unidentified YOMIURI SHIMBUN correspondent on 12 January—place not given]

[Text] Abe: The times being as they are, my scheduled meeting with Supreme Soviet Chairman and CPSU General Secretary Gorbachev is drawing much attention. Apparently, it has become an important event. I would like to have a frank exchange of views with him and make the meeting a fruitful one.

[Question] What are the objectives of the meeting?

Abe: We will talk about the roles of Japan and the Soviet Union in the world as well as in Asia. Since I realize that assistance to the perestroyka pursued by Chairman Gorbachev will help the world move toward peace and stability, I would like to make clear my expectations

regarding the success of perestroyka and my willingness to provide cooperation for it.

[Question] What about Japanese-Soviet bilateral issues?

Abe: I would like to do everything I can to create an atmosphere that will help make Chairman Gorbachev's visit to Japan next year a success. I will make efforts to find a way that can lead to a solution of the territories question. At the same time, I think it necessary to take positive measures for cooperation in various areas, including economic cooperation, personnel and cultural exchanges and technical exchanges, moving in the direction of expanded balance.

[Question] You have already met with Chairman Gorbachev twice in the past.

Abe: Establishment of relations of trust between leaders can be useful in improving relations.

[Question] How will you approach the territories question specifically?

Abe: For Japan, along with the issue of lack of diplomatic relations with the DPRK (North Korea), the issue of (the lack of) a peace treaty between Japan and the Soviet Union is a major diplomatic question left to be solved. To tackle the issue, it is important that the pending territories question be solved, one way or another. But if we persist in the position that unless this question is solved, there cannot be improvement in Japanese-Soviet relations, this, necessarily, cannot be good for Japan, given the present world situation. That is how I feel. While making efforts to solve the territories question, I think we should also proceed with efforts for cooperative relations, like economic cooperation, toward expanded balance. Speaking about "assistance to perestroyka," I think the Liberal Democratic Party [LDP] should actively work on the government and the economic circles so that various forms of cooperation are actually provided.

[Question] Do you think "Asia and the Pacific" will be a major topic in the talks with Chairman Gorbachev?

Abe: Chairman Gorbachev himself says that "the Soviet Union is a member nation of Europe while being a member nation of Asia." East-West relations may be moving from cold war toward dialogue and cooperation, but the question of East-West relations cannot be really solved in Europe only. What we need is a change of structure in global East-West relations, including Asia. I would like to ask the Soviet Union to play its roles in solving the Korean pensinsula and Cambodia questions.

[Question] Speaking about assistance to perestroyka again, what can that mean, specifically?

Abe: Between Japan and the Soviet Union, there is this territories question to be solved. The success of perestroyka will have major meaning for Japan, Asia, and the world. We should do all we can to help it. Now, on the matter of furnishing expertise to help improve productivity, the attitudes of the Ministry of International Trade and Industry and financial circles are positive. I would like to see these attitudes advancing in a forward-looking way. I am also hoping that we can arrive at an agreement (with the Soviet side) on exchanging personnel, such as specialists.

[Question] What is your impression of Gorbachev as a politician?

Abe: He is a man of decision, a European-style politician, in a sense. Since I saw him last, he has really carried out remarkable feats in various areas, for instance, at the U.S.-Soviet summit. I think he is a man of enormous capabilities.

[Question] Your visit to the Soviet Union is the start of your political activities this year. What is your political schedule after returning from the visit?

Abe: By all means the LDP will have to win in the general elections. There will be various developments after the elections, but I cannot talk about them now.

## Editorial Previews Abe Visit to Soviet Union

*OW1301132190 Tokyo ASAHI EVENING NEWS in English 12 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[Text] Shintaro Abe, of the ruling Liberal-Democratic Party [LDP], is to visit the Soviet Union to discuss the Northern Territories with Soviet President Mikhail Gorbachev.

His visit is worthy of note as groundwork for Gorbachev's visit to Japan, which is scheduled for next year. Abe's talks mark the first of their kind between Japanese and Soviet leaders since the superpower summit off Malta, which gave rise to changes in international relations. Abe is urged to make use of the valuable meeting with the Soviet leaders.

Foreign-policy authorities have taken the lead in paving the way for a debate over the territorial question. It is a significant step forward to have led the Russians to sit at the conference table, though they used to be curt in retorting that no bilateral territorial issue ever existed.

Abe seems to be on his mettle to exchange candid views on a broad range of subjects with his political counterparts in Moscow, which could not have been discussed at an administrative level. His posture is quite reasonable.

In diplomatic talks the prerequisite is for the negotiating parties to set down, in matters of historical developments and the interpretation of international law on a logical basis, where agreement can be reached and where discord starts. In many cases, it would be difficult to find a solution when only such seesaw games are played between bureaucrats.

For there is no alternative but to find a way to balance interests as a whole in order to stem a head-on conflict of interests in a broader perspective that encompasses other issues.

On occasions, there is a need to respond to grievances of the people. It is indeed a skillful job on the part of politicians to search for the utmost limit of concessions acceptable to their counterparts while they are under the pressure of demands and political developments at home.

In the past, almost every major issue on foreign policy developed into a point of contention for the domestic political sector. Peace and independence, the conclusion of the U.S.-Japan security treaty and its subsequent revision, and the normalization of ties with South Korea and China—all those developments were something over which not only was public opinion divided but even in the ruling party there emerged a sharp conflict of views.

One such precedent is Prime Minister Ichiro Hatoyama's government, which was hustled and jostled as it strived to pave the way for a restoration of diplomatic ties with the Soviet Union.

Abe's visit to the Soviet Union this time cannot be unrelated to his program to gain power following the political setback he was handed in the Recruit influence-buying scandal. There is every reason to expect that the results of his talks with Soviet leaders will influence trends in Japanese politics.

Naturally, it would be glorious nonsense to try to make a political tool out of foreign policy at the sacrifice of national interests. We wish to believe that such will never be the case. At the same time, we are tempted to give in to the deep emotion that the days have finally come when issues between Japan and the Soviet Union may be addressed politically.

It is not too much to say that foreign-policy issues with the Soviet Union have up to now been an anathema for conservative politicians. In addition to the notion that they could not achieve distinction in face of the once adamant Soviet posture, politicians presumably calculated that it would be the last thing desirable for them to be looked upon as pro-Soviet and to get on the wrong side of the Americans in the ongoing cold war.

Foreign-policy approaches to the Soviet Union have been kept at a distance. As the saying goes: "You will get burned if you clumsily try to gather chestnuts in the flames." But the foreign policy with the Soviet Union has now become an attractive sector for politicians because of the possibility of taking steps forward due to changes in the international climate.

It can hardly be expected that all pending issues with the Soviet Union will be solved with Abe's visit. Nonetheless, what sort of posture will Gorbachev assume toward Abe, whom Gorbachev brushed aside as "trying to take up a question you should not have raised in the first place" during Abe's visit to Moscow as foreign minister in 1986?

In a number of speeches, Gorbachev has emphasized that he attaches importance to the Asia-Pacific region. If that is the case, what does Gorbachev now think about Japan and the rest of Asia? It is to be hoped that mutual understanding be fostered through candid talks between Abe and Kremlin leaders.

For the progress of talks between Japan and the Soviet Union, the first step will be for both countries correctly to understand each other. In this sense, Gorbachev's visit to Japan will be decisively significant. Abe also has heavy burdens.

### Japan To Comply With Soviet Arms Talks Proposal

*OW0301125890 Tokyo SANKEI SHIMBUN in Japanese 29 Dec 89 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The government has decided to comply in principle with Soviet proposals for talks on arms control and disarmament to ensure security in the Asian-Pacific region, and has begun examining plans to convey this decision to Soviet Foreign Minister Shevardnadze, who is to visit Japan in mid-March next year. This was disclosed by a government source on 28 December. Although the Soviet Union has viewed arms control in the Asian-Pacific region as the most important issue since Supreme Soviet President and concurrently CPSU General Secretary Gorbachev made a speech in Krasnoyarsk in 1986, Japan has continued to respond negatively. As a result, talks on arms control in the region have not been held. This decision is said to aim at sending a signal to the Soviet Union for the further improvement of Japan-Soviet relations, taking into account a visit by General Secretary Gorbachev to Japan in 1991. It is also indicated that the government's move may pave the way for holding tripartite talks with Japan, the United States, and the Soviet Union on security in the Asian-Pacific region.

The Soviet Union first made the proposal for talks on arms control and disarmament in the Asian-Pacific region when General Secretary Gorbachev, in his Krasnoyarsk speech, proposed "holding a conference similar to the All-Europe Security Conference in Hiroshima to bring detente to the region." In his Krasnoyarsk speech, the general secretary called on Japan and the United States to join in creating a negotiation mechanism for the security of the region. However, Japan made no forward-looking responses, cautiously viewing the call as part of a Soviet peace offensive designed to reduce U.S. naval forces in the region.

Later, at a meeting with then Foreign Minister Uno, who visited the Soviet Union in May, Soviet Foreign Minister Shevardnadze proposed holding tripartite talks to be attended by Japan, the United States, and the Soviet Union. At a meeting with Foreign Minister Nakayama in

New York in late September, the Soviet foreign minister proposed to "discuss in depth the military confrontation and threat issue in the Asian-Pacific region" at regular Japan-Soviet foreign ministerial talks scheduled to be held in March next year. In response, Foreign Minister Nakayama rejected the proposal, saying that "I think reliable relations are a basis for such talks." However, officials within the government, after examining the Soviet proposals, have decided to comply with them for talks.

The Foreign Ministry has compiled a report entitled "The International Situation and Japan's Diplomacy" to be used for a policy speech at the next Diet session and others. In the report, the ministry has incorporated forward-looking expressions, saying that with regard to talks with the Soviet Union on political security, Japan must make "appropriate responses."

The government has made this decision based on the view that 1) the framework of East-West confrontation is undergoing change on the heels of the U.S.-Soviet summit meeting in Malta, and this will undoubtedly influence the Asian-Pacific region; 2) talks on arms control and disarmament in the region should be held sooner or later; and 3) because this issue will be brought up at the next Japan-Soviet foreign ministerial talks as one of the agenda items, Japan should examine responsive measures.

However, regarding specific responsive measures including whether to participate in creating a mechanism for arms control and disarmament, the government plans to make a final decision through close consultations with the United States based on the outcome of talks with Soviet Foreign Minister Shevardnadze.

Meanwhile, officials within the government pointed to the present situation in which Soviet forces are deploying one division of ground troops and 40 MiG-23 fighters in the northern territories and expressed their doubt, asking (according to a government source), "Is the removal of the Soviet military threat to Japan not a precondition for talks?" Thus, there are delicate factors involved for the government to frame a final policy.

## USSR Proposes Joint Projects With Japan, PRC

*OW0301050590 Tokyo NIHON KEIZAI SHIMBUN in Japanese 31 Dec 89 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The Soviet Union has proposed more than 100 tripartite joint projects to Japan and China. This was disclosed on 30 December. The proposed projects cover many areas, ranging from logging and lumber processing to the manufacturing of small-type computers, and require $4 billion dollars (about Y560 billion) in the initial investment. The characteristic feature of the projects is the pooling of resources, technology, funds, and manpower by Japan, China and the Soviet Union. It is the first time that these type of projects have ever been proposed. This move by the Soviet Union reflects the detente (easing of tensions) borne out in the wake of the declaration of the end of the Cold War at the U.S.-Soviet summit meeting held in early December and the China-Soviet reconciliation in May, and will be a model case for the East-West economic cooperation. Nations concerned are expected to sign a contract for the first tripartite project next spring. Japan, if the projects go smoothly, will clearly present its position to provide assistance to perestroyka (restructuring) in the Soviet Union and the open-door policy in China.

The tripartite joint projects proposed by the Soviet Union are classified into the 5 areas of "logging and processing of lumber," "processing of farm products," "fishing and processing of marine products," "production of consumer goods" and "tourism." The area involving the production of consumer goods has the largest number of projects, set at 38. Each locality and oblast, including Khabarovsk and Irkutsk in the Soviet Far East region, have submitted their applications for the projects; the number of projects totals 106.

According to a Japanese businessman involved, Japanese firms—including C. Itoh Company and Tokyo Maruichi Trading Company—are making specific business consultations with the Soviet side, using the Japan International Trade Promotion Association as a contact point, and have reached agreements with the Soviet side to promote plans for more than 10 projects. In particular, they are likely to participate in many logging and lumber processing projects.

Organizations responsible for these projects in the Soviet Union are the Chamber of Commerce and Industry, the Soviet-China Work Cooperation Association, and oblasts and autonomous republics in Khabarovsk and the East Siberian region. Organizations in charge of these projects in China are the International Trade Promotion Committee and government organizations and enterprises in the northeastern provinces including Jilin and Heilongjiang Provinces. Representatives of organizations concerned in Japan, China and the Soviet Union held the first meeting on "tripartite economic cooperation" in Khabarovsk earlier and confirmed their posture to cooperate with one other in the projects. A working-level meeting is planned for Beijing in January or February next year to examine problems involving the tripartite joint projects.

Options for the types of businesses under consideration as a result of examinations are 1) to have China participate in Japan-Soviet joint projects by supplying manpower, 2) to have the Soviet Union join in Japan-China joint projects by supplying resources, and 3) to implement these projects in the form of joint-venture business of the three countries. With regard to the production of consumer goods, for example, Japan will supply China with production technology, machinery and equipment, raw materials, parts and such, and the goods produced in China will be exported to the Soviet Union which will pay Japan in timber and fisheries products.

According to the businessman involved, the Japan Trade Promotion Association, which has a long history of business relationship with China and the Soviet Union, has played an intermediary role in promoting these tripartite joint projects at the requests from China and the Soviet Union. The Soviet Union has begun giving priority to the development of Siberia since Supreme Soviet Chairman Gorbachev announced the Asian and Pacific policy in his Vladivostok speech in (1988). The Soviet Union plans to supply goods produced, using Siberia as a production base, to western regions of the country as the projects progress.

China, which already had carried out border trade with the Soviet Union, has been putting emphasis on economic exchanges with the Soviet Union since the May China-Soviet reconciliation. China has also been eager to export manpower to the Soviet Union because it leads to earning foreign exchanges. The Chinese side at the Khabarovsk meeting also indicated plans to supply manpower for all projects offered by the Soviet Union.

### USSR Seeks Japan's Antipollution Technology

*OW0601222290 Tokyo YOMIURI SHIMBUN in Japanese 1 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The Soviet Government has sought an extensive transfer of antipollution technology, including technology to prevent air pollution, from Mitsubishi Heavy Industries. This was disclosed on 31 December 1989. The Soviet Union, which is presently engaged in drawing up "an extensive environmental protection plan" in major industrial areas and cities, has sounded out Mitsubishi Heavy Industries, which has the world's top technology in the antipollution sphere, about the details of the company's antipollution technology and the possibility of its transfer.

Mitsubishi Heavy Industries is taking a positive stand on the transfer of this technology, saying that "we want to examine this request positively." The company already has sent an executive to the Soviet Union. This technological transfer, if carried out, is expected to become a new type of economic cooperation with the Soviet Union and Japan's biggest project with that country.

The global protection of the environment has become a worldwide task on the eve of the 21st century. The Soviet Union is adopting an industrial policy which gives priority to increased production, which in turn is increasing the emissions of sulfurous and nitrogenous acid gas. This is causing a level of air pollution even more serious than that being experienced by Western industrial nations. Therefore, the country, which is about to promote economic liberalization, is hard pressed not only to expand production facilities, but also to quickly work out extensive antipollution measures.

The Soviet Union plans to renovate desulfurization and deacidification equipment in thermal power plants located in industrial areas, to work out measures for improving garbage disposal capacity, and to prevent noise pollution in big cities.

The Soviet Government is presently conducting a pollution survey and has been sounding out Western enterprises since last autumn about the details and costs of transferring antipollution technology currently not available in the Soviet Union. The Soviet Government has sounded out Mitsubishi Heavy Industries about technological transfers because the company's desulfurization and deacidification equipment is rated internationally as inexpensive and of high performance. The company has exported it to Southeast Asian nations. Mitsubishi Heavy Industries, after discussions with the Soviet Government, sent an executive to the Soviet Union to tour industrial areas and to exchange views with officials engaged in drawing up antipollution plans.

Mitsubishi Heavy Industries is holding a forward-looking view, saying: "The Soviet Union lags from 15 to 20 years behind Japan in the area of antipollution technology. There is no way economic feasibility can be examined because no industrial surveys are conducted. However, Japanese enterprises can cooperate with the Soviet plans because they are far superior in terms of price competitiveness and design, and in installing antipollution equipment quickly." The company also is indicating the possibility of expanding cooperation to not only the sphere of technology transfers, but also with regard to the design and manufacture of equipment.

Japanese enterprises have intermittently transferred antipollution technology to Communist bloc nations through West European enterprises. The technological transfer deal under consideration by Mitsubishi Heavy Industries, if carried out, is expected to lead to the biggest export of technology and equipment to a Communist bloc nation.

The Soviet Union, which is suffering from a foreign currency shortage, needs a large amount of money to implement the antipollution plans. Therefore, the country will certainly ask Western industrial nations, including Japan, for financial aid when the plans are to be implemented.

### Immigration Office Reports More Soviet Tourists

*OW0801005190 Tokyo ASAHI EVENING NEWS in English 6 Jan 90 p 5—FOR OFFICIAL USE ONLY*

[Text] Thanks to perestroyka and glasnost, traveling opportunities have widened for the people in the Soviet Union. Until 1989, only from 5,000 to 9,000 people from the Soviet Union had come to Japan every year, according to the immigration Office. Last year, however, 11,490 people had already come before October.

Taking advantage of the partial elimination of travel restrictions, six Soviet passenger ships have been entering Osaka Port every other week starting with the 12,798-ton ship "Russ" which arrived on Dec. 12, 1989,

and the 3,941-ton ship "Olga Sadovskaya" which will arrive on Jan. 22, being the last ship in the series.

Osaka is their favorite destination because it is close to Nara and Kyoto Cities filled with tourist attractions and the city itself is a good place to buy used cars and electric appliances which are two items the people want most.

No ship had come in the winter since 1986, but, Gennadiy S. Eslikov, director of the Soviet Government Tourist Information Bureau in Tokyo, says, "There are so many people who want to visit Japan that we decided to organize cruises in the winter as well. During the summer, the ships are busy on regular domestic and international routes and it is difficult to have as many trips to Japan as we do in the winter. But the total number of cruises to Japan will undoubtedly increase from now."

The visitors are different from the model proletarians and students selected carefully for packaged tours by state tourist agents such as "Sputnik" and "Intourist" that used to be the only kind of people from the Soviet Union who came to visit. The passengers on the ship "Petropavlovsk" in December, for example, were mostly "average" workers on a tour organized by a shipping company in Kamchatka.

People are no longer required to submit certificates stating that they are good workers with no debts to their names to be allowed to travel abroad.

Enjoying the early fruit of the perestroyka policy, the passengers spend much of their time on land shopping for used cars at one of about 40 car dealerships in the port area. They mostly buy ones in the price range of Y20,000 to Y30,000.

According to a spokesman for the agent for the Soviet ships coming into the port, "500 to 600 people usually apply for a tour of 300. The Soviet Union is building four 15,000-ton class passenger ships and we can expect more and more cruises in the future."

## China

### Abe To Visit PRC as Special Envoy After Election

*OW0901094690 Tokyo TOKYO SHIMBUN in Japanese 7 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Text] The government has decided to completely restore the Japan-PRC relations, which cooled after the Tiananmen incident last June, by resuming personnel exchanges at a ministerial level between the two nations. This was disclosed by a government source on 6 January.

The government has set the following concrete schedules for exchanges of high-ranking officials: 1) Minister Zou Jiahua of the State Planning Commission, a cabinet member, will visit Japan from 16 to 25 January as a guest of the Foreign Ministry; and 2) former Liberal Democratic Party General Secretary Abe will be sent to China as Prime Minister Kaifu's special envoy after the general election scheduled in February. Moreover, Matsuura, director of the Foreign Ministry's Economic Cooperation Bureau, will be sent to China in late January for consultations with the Chinese side on the issue of reopening the frozen third yen-based loan to China.

Since the government has been watching for a chance to restore its relations with China, it has viewed the U.S. decision to restore its relations with China as a good opportunity and firmed up its intention to completely restore bilateral relations.

The Japan Association of Promotion of International Trade, with former Foreign Minister Yoshio Sakurauchi as its president, has invited Minister Zou to visit Japan for the celebration of its 35th founding anniversary. During his stay in Japan, Minister Zou is expected to hold talks with Prime Minister Kaifu and Foreign Minister Nakayama on separate occasions, as well as to make an inspection tour of various localities.

Meanwhile, on 8 January, the prime minister will sound out Mr Abe about the intentions of his China visit when he pays a courtesy call to the prime minister to discuss his visit to the Soviet Union.

### Zou Visit Said Likely To Normalize PRC Ties

*OW1301141590 Tokyo JIJI in English 1351 GMT 13 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo, Jan. 13 (JIJI PRESS)—Japan and China will virtually resume high-level exchanges with the upcoming visit to Japan by Zou Jiahua, Chinese minister of the State Planning Commission. Zou will visit Japan as a Foreign Ministry guest for 10 days from Tuesday, in which he will confer with Prime Minister Toshiki Kaifu and other Japanese Government and business leaders.

The series of talks will likely add momentum to efforts to improve Sino-Japanese relations after China Thursday lifted martial law imposed in Beijing last May at the height of pro-democracy demonstrations. The bilateral relations have been strained since Japan suspended high-level exchanges with and economic assistance to China in protest to Beijing's military crackdown on student-led democracy movements in early June last year.

Japanese officials intend to seek Zou's explanation of the specifics of China's present and future economic policy. Beijing has already pledged to keep pursuing reforms and open-door policy. Also high on the agenda will be Japan's third yen loans totaling 810 billion yen to be given to 42 Chinese projects during fiscal 1990-95.

Zou will arrive in Osaka Tuesday afternoon, accompanied by Shen Jueren, vice foreign economic relations and trade minister, Zhu Lilan, vice minister of the State Science and Technology Commission, and other Chinese officials. Zou will have a firsthand look at private-sector

companes operating in Osaka and its vicinity before proceeding to Tokyo Jan. 20.

In Tokyo, he will have talks with Kaifu, Foreign Minister Taro Nakayama, Finance Minister Ryutaro Hashimoto, International Trade and Industry Minister Hikaru Matsunaga and other cabinet ministers. In addition, he will meet with former Prime Minister Noboru Takeshita, former Liberal Democratic Party (LDP) Secretary-General Shintaro Abe, who will have returned from Moscow, and other LDP leaders as well as business leaders.

Zou's itinerary also includes visits to facilities related to automobile, electric machinery and high-technology industries, and attendance at a ceremony marking the 35th anniversay of the founding of the Association of the Promotion of International Trade, Japan, an organization set up to promote East-West trade.

### Japanese Envoy Given Notice on Martial Law

*OW1101140590 Tokyo MAINICHI SHIMBUN in Japanese 11 Jan 89 Morning Edition p 2*

[Text] A Foreign Ministry source disclosed that on the evening of 10 January, a few hours before Chinese Premier Li Peng's announcement over state-run central television that the martial law imposed on Beijing would be lifted, the Japanese ambassador to Beijing, Hashimoto, received advance notice from Chinese Foreign Minister Qian Qichen. It is considered rather unusual for the Chinese Government to inform the Japanese Government in advance of such an important decision as the lifting of martial law.

### Source Views Martial Law Lifting, Aid to China

*OW1401141190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 11 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Text] The government appraises the lifting of martial law in Beijing to be "the first major signal of the improvement of relations" (according to a Foreign Ministry source) sent to the United States and other Western countries, and regards this as an indication of China's strong desire to obtain Japanese and U.S. cooperation for its economic rehabilitation at an early time. The government believes that behind this is China's realization that due to the rapid progress of democratization in Eastern Europe, tensions in Sino-Soviet relations, which had been restored for a while, have begun to appear, and China is threatened again with diplomatic isolation. However, it thinks that there is a need to watch closely the reaction of the U.S. Congress and public opinion in view of the fact that the question of how to handle the problem of dissident physicist Fang Lizhi remains pending, as well as in relation to future developments in the Chinese domestic situation. For the time being, steps toward the extension of new economic aid, such as the third yen loan, are expected to be slow.

Since the government had predicted that "before the U.S. Congress resumes its session on 23 January, if China does not send any signal, the Bush administration, which moved for a breakthrough in relations with China, would be isolated, and that would not be desirable for China, either" (Foreign Ministry source), the lifting of martial law did not come as a surprise. Nevertheless, it is also a fact that with anxieties about the progress of democratization in Eastern Europe, the lifting of martial law may spell danger for China. The government believes that there were domestic reasons which forced China to undertake the lifting of martial law at this time.

The first is Chinese economic difficulties. The lifting of martial law is aimed at pacifying U.S. public opinion and achieving the extension of new World Bank loans to China and full resumption of new Japanese aid.

The Foreign Ministry source also pointed out that "the Chinese leadership's opposition to policy change in the USSR is intensifying. Some people believe that the element of Sino-Soviet conflict will become stronger in the Chinese Government." This source viewed the improvement of relations with the West as China's only diplomatic way out.

The government has decided to send a Foreign Ministry bureau chief to reopen discussions on the third yen loan and to invite Minister Zou Jiahua of the State Planning Commission to Japan. However, it regards these as "case-by-case measures" and "minimum steps to avoid further deterioration in Japan-China relations." It has repeatedly explained that they do not mean the complete lifting of sanctions against China agreed upon at the summit of advanced nations (Arche summit) last July, including the suspension of exchanges of senior officials and new economic aid.

In particular, it seems that in the United States, the prevailing mood is that the handling of the Fang Lizhi issue is given more weight than the lifting of martial law. It remains unclear whether the Bush administration can convince the U.S. Congress and public opinion with the lifting of martial law alone. It is said that the U.S. reaction still has to be watched. On the other hand, the government is also closely watching how stable the Chinese leadership will be and whether there will be any domestic chaos after the lifting of martial law. For this reason, the government will not go right ahead in fully implementing the third yen loan. It will start with projects in the third yen loan that are continuations of the second yen loan, and cases in the "gray zone" (areas whose inclusion in the sanctions were unclear), such as grants-in-aid. In the meantime, it will also observe moves on the part of the United States and other Western countries. It will take a two-step approach.

## Editorial Views 'Dilemma' in Dealing With PRC

*OW1301040690 Tokyo THE JAPAN TIMES in English 12 Jan 90 p 18—FOR OFFICIAL USE ONLY*

[Editorial: "Japan's China Dilemma"]

[Text] With the lifting at midnight Wednesday of martial law in Beijing, China has taken a step toward returning to some form of normalcy, both in its domestic affairs and in its relationship with the international community. The bitter aftermath of the Tiananmen Square incident in June last year and the suppression of prodemocracy protests elsewhere in that country thus appears to be easing.

The official end to martial law in the Chinese capital, however, is largely a formality. Policing continues to be tight in Beijing, and the security forces remain on guard against any return to the turbulent days of the prodemocracy movement that China witnessed last spring. All except progovernment demonstrations, all strikes and the putting up of political posters are banned.

In announcing the removal of martial law, Premier Li Peng stressed that China "is now stable politically, economically and socially," signaling that this country is ready once again to do business with the world. Despite strong skepticism about his statement and about the true motive behind Beijing's decision, it is good and welcome news.

Even when Japan and other nations are willing to renew their dialogue with Beijing, however, the complexities of global politics conspire against a painless return to the status quo before June last year. The different new climate is particularly the result of how Beijing has responded to the prodemocracy challenge within its borders and partly the result of historic changes elsewhere in the communist world. When the student demonstrations were crushed in China, the Warsaw Pact could boast seven communist member states: the sole question mark was Poland. But now only the Soviet Union retains an unaltered political system, and even there change is knocking loudly at the door.

The capitalist West, including Japan, has responded with enthusiasm to the democratization of Eastern Europe. Prime Minister Toshiki Kaifu is now in Europe to show this country's support for the reform process. Massive Japanese financial aid to the liberalizing but troubled economies of Eastern Europe is already in the pipeline.

The Chinese authorities, on the other hand, have poured scorn on this historic transformation, and are apparently determined to reject democratic reforms. Mr. Li's statement that "No matter what may happen in the world, we shall unswervingly advance along the socialist road" serves as a declaration to this effect.

This gap between Beijing and Tokyo in their response to the recent dramatic developments in Europe points up a problem nearer to home. As a democratic nation and a free market economy, Japan cannot but hope that the most promising aspects of the liberalizing and democratizing movement in Eastern Europe take root in communist Asia. But it is a fact that Asian communists appear to be skeptical in the extreme about Soviet President Mikhail Gorbachev's experiment in socialist reform.

Japan's support—both psychological and substantive—for democratic reforms in Eastern Europe and the Soviet Union forms one horn of this country's diplomatic dilemma over China. The other is this nation's unambiguous concern that East Asia remain stable and prosperous. This is particularly true in the case of China, which is the linchpin of regional stability in this part of the world. In the changed and changing world after the Malta summit, however, an increasing number of nations are finding it difficult to sit by and see Beijing take this position of China as hostage to strong demands from outside for political reforms.

Among the Japanese, the more flexible minded have urged a two-track approach. First, it is argued that the Japanese Government must act vigorously to aid the ongoing modernization of the Chinese economy. Official suggestions that the government is unfreezing its China aid program reflects Japanese concern for the economic welfare of its huge neighbor. Second, many insist that Japan, as a paid-up member of the club of advanced industrial democracies, must continue to aid the liberalization and democratization of Eastern Europe. Mr. Kaifu's eight-nation European tour reflects this commitment.

But where some see flexibility, others see a fundamental contradiction. Quite simply, this nation has yet to devise a set of principles, or a philosophy, to animate and give ballast to its approach to the world as a whole. The principal lesson of Japan's Chinese dilemma is that this country's new role in world affairs means that the days when it could chop and turn at every ripple in developments elsewhere are over.

## PRC Prodemocracy Movement Compared to E. Bloc

*OW0701232990 Tokyo ASAHI EVENING NEWS in English Sunday Edition 6 Jan 90 p 2—FOR OFFICIAL USE ONLY*

["Newscope" column article by Takehiko Tadokoro, ASAHI SHIMBUN deputy chief editorial writer: "The Two Squares—From Tiananmen to Wenceslas"]

[Text] Before the crumbling of the Berlin Wall, an East German youth who had taken refuge in West Germany by way of Hungary said in an interview with the ASAHI SHIMBUN, "I used to pin hopes on reform efforts in the socialist world. But then you had the crackdown in Tiananmen Square. That was really a shock. Besides, I was wholly disgusted with the East German Government which had supported the Chinese oppression."

His remarks suggest that the flow of information which quickened its pace even in the Eastern bloc has served as

a significant factor in encouraging changes in East European countries, including Romania.

Dissidents in China, East Germany and Romania feel strongly the significance of reform and the dark aspects of the ancien regime which thwarted reform efforts. But this fact does not necessarily seem to be fully understood in Japan and other Western nations.

The demonstrations which had preceded the Tiananmen massacre gave momentum to pro-democracy movement, along with former Chinese Communist Party General Secretary Hu Yaobang's death, the 70th anniversary of the so-called May 4 Movement and the visit to Beijing of Soviet chief Mikhail S. Gorbachev.

The memories that reform-minded Chinese people have about the May 4 Movement were instrumental in linking the present pro-democracy movement with the series of struggles for Chinese national independence and modernization that began 70 years ago when objections were raised to the Japanese military's demands for increased concessions in that movement. To them, Gorbachev seemed like Hu, who would have strived for reform in the Soviet Union, were he a Soviet citizen.

As time has elapsed since the demonstrations in Tiananmen Square were quelled with tanks and automatics, increasingly less serious thought is given to the raison d'etre of the student movement. Some people around us argued, "Partly motivated by the deepening sense of disheartenment they had entertained about their living conditions, students stampeded. Their movement did in fact have no base in a broad segment of the population. And, alas, democracy was an alien concept for the masses."

They added, "On the other hand, modern West European freedom and democracy were part of the background of the democracy movement in East Germany and Czechoslovakia. That is why they have succeeded in reforming their political institutions."

The features in common were greater than the differences, I dare say, between the students and citizens who gathered in Tiananmen Square last spring and the crowds who filled Wenceslas Square in Prague half a year later.

I also say, they must have been aware that the most formidable barrier which had barred them from living a decent life had been the totalitarian system, that bureaucratic inertia and inefficiency were attributes of that system, and that modernization and freedoms for the Chinese and for the Czechoslovaks were things which could not be achieved without going far to change the system.

The situation might be different, depending on each socialist country, but it could generally be said that the more pliant a country had been to pressures from Moscow in the past, the easier it was to get itself caught in the blast of Gorbachev's perestroyka, or economic restructuring.

The direction those countries, which have cast aside the inflexible ancien regime, are to move in now is something their peoples must decide by themselves.

George Orwell in his book "Nineteen Eighty-Four" portrayed society of the sort in which no one would be able to live his life unless he took the "equaling of two plus two equals five." Attempts to depart from the sort of ghastly inhumane system portrayed by Orwell are not necessarily the same as those which will bring about freedoms and free markets among capitalist countries. To realize the principles of democracy and socialism with the kind of freedoms they really have in mind, might be a case of trial and error for them under given conditions in many cases.

Taking into account that each one of their triumphs is part of a serious and painstaking process, it is not wise to go off at half cock in hailing changes in the socialist bloc as a victory for the West.

## China Asks Banks for Credit Extension Loans

*OW1401100090 Tokyo ASAHI SHIMBUN in Japanese 12 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Excerpts] A source concerned with international financial circles disclosed on 11 January that China asked Japanese private financial institutions for a loan amounting to a total of $2 billion (approximately 290 billion yen). The Bank of China [BOC], which serves as a foreign exchange bank of China, recently informed the Japanese side that it wants to utilize the limited credit extension for China, which was jointly established 5 years ago by 67 Japanese banks. Under this system, a loan will be automatically granted 3 months after China makes a request. Thus, it is expected that the Chinese side will be given the loan immediately after a delegation of the Federation of Bankers Associations (Chairman: Kuniji Miyazaki, president of Dai-Ichi Kangyo Bank) visits China in March. Although China can borrow a fixed amount of money at any time, its interest rate is high as compared with other loans each bank individually provides through negotiations.

It is thought that the decision to utilize the limited credit extension, which the Chinese side never used before, is a "proof of increasing difficulty in management of funds," which was noted following the Tiananmen Square incident and the subsequent economic sanctions against China, (according to a person concerned with Japanese and Chinese economic affairs). However, the Japanese financial circles view the removal of martial law in Beijing on 11 January as "a big step toward improvement of the environment for new loans," (according to Chairman Miyazaki). Thus, the financial circles want to

use this loan as a pump-priming measure for the resumption of new loans, although it is a fulfillment of a "previously signed contract."

The limited credit extension of Japanese banks is called "standby credit." The maximum amount of a loan, under this system, is $2 billion. It is a long term loan with a 10-year repayment period. [passage omitted]

According to a person concerned with international financial circles, the Chinese side wants to use the limited credit extension for the following reasons: 1) The amount of the BOC's foreign currency reserves is rapidly decreasing as a result of deposit withdrawals in Hong Kong and Singapore; 2) Interest rates of funds raised in Hong Kong and other markets have become relatively expensive due to increasing risk associated with the country; 3) Bond issuance in markets, including the Tokyo market, has also become difficult. These became apparent in the wake of the Tiananmen Square incident. Moreover, it also seems that the Chinese side envisaged the loan as weakening international criticism against the Japanese side, the creditor.

The amount of China's foreign currency reserves in 1988 varied at around $18 billion. However, reserves dropped to approximately $14.186 billion as of the end of September last year, according to the most recent statistics of the People's Bank of China (the central bank). In particular, the amount of the BOC's foreign currency reserves is some $7.8 billion, which is less than 60 percent of the amount for the same period of the previous year. This proves once again that China has sent "signals" to Western nations by lifting martial law in Beijing because of the severe foreign currency situation.

China turned to the open-doop policy in late 1978, and has been actively inviting foreign capital ever since. The balance of its foreign debts as of the end of 1988 is some $42 billion (according to the World Bank). Of that, more than $20 billion was borrowed from Japan, both from the government and the private sector. It is said that the amount of funds provided by Japanese private banks alone amounts to some $12 billion. Reportedly, Japanese banks had jointly established another limited credit extension, amounting to several hundred billion dollars, for China prior to putting the current limited credit extension together, according to a source concerned with Japanese banks. However, the Chinese side never used the limited credit extension in the past 10 years because Japanese banks lowered interest rates by launching a "lending race."

## Resumption of Yen Loans to PRC To Start Soon

*OW1001153690 Tokyo YOMIURI SHIMBUN in Japanese 10 Jan 89 Morning Edition p 7—FOR OFFICIAL USE ONLY*

[Text] With the martial law in Beijing expected to be lifted soon, the Foreign Ministry decided on 9 January to send Koichiro Matsuura, director general of the ministry's Economic Cooperation Bureau, to visit China on 18 January, and then a fact-finding group to China for working-level consultations on lifting the freeze on the third yen-based loan programs (amounting to Y810 billion for the fiscal 1990 to 1995) within the current fiscal year.

And within this fiscal year, the ministry also plans to send a fact-finding group to work out a basic design for the Japan-China Environmental Preservation Center to be built in Beijing by providing a grant of about Y10 billion.

Included in the 42 projects of the third yen-based loan program are 6 to be continued from the second yen-based loan program. And to provide yen-based loans, it has become necessary for Japan to consult with China on the projects for the 2d year as well as on the order of priority of the projects.

The Foreign Ministry has decided on holding consultations soon between the four Japanese ministries and agencies concerned and the Chinese side on implementing the third yen-based loan projects on the basis of the report to be submitted by Economic Cooperation Bureau Director General Matsuura.

Meanwhile, an accord was reached at the talks held between Premier Li Peng and then Prime Minister Takeshita during Premier Li Peng's visit to Japan in April 1989, on starting the project to build the Japan-China Environmental Preservation Center in fiscal 1990. However, study for the basic design has been postponed due to the Tiananmen incident in June 1989. Since it is now impossible to start the project in fiscal 1990, it has become necessary to speed up the basic designing work so as to start the project in fiscal 1991. Based on the basic design, the Foreign Ministry will include funds for this project in the budget request for fiscal 1991 so that the project can be completed within fiscal 1993.

## Japan, China To Resume Meeting on Technology

*OW0701081890 Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Jan 90 Morning Edition p 11—FOR OFFICIAL USE ONLY*

[Text] The Governments of Japan and China have agreed to hold "The 5th Meeting of the Japan-China Cooperation Committee on Science and Technology" in Beijing on 18 and 19 January. The convocation of the committee meeting had been postponed since July because of the Tiananmen incident last year. Both sides at the upcoming committee meeting are expected to reach an agreement on an afforestation project in the Takla Makan Desert as a new cooperation project between the two countries. Thus, the two countries will resume exchanges in the scientific and technological fields which have been suspended.

The Japan-China Cooperation Committee on Science and Technology, which was established in accordance with the Treaty on Japan-China Science and Technology Cooperation concluded between the two countries in 1980, has held its meetings in Beijing and Tokyo every 2 years on a rotating basis from 1981 to 1987. The two countries originally planned to hold the committee meeting in Beijing in July of 1989, but the meeting was postponed indefinitely because of the Tiananmen incident. The governments of the two countries are presently adjusting agenda items, including the proposals of research cooperation themes, at the upcoming committee meeting.

From the Japanese side, bureau-chief level officials from the Foreign Ministry, the International Trade and Industry Ministry and other ministries concerned will attend the meeting. From the Chinese side, representatives from the State Science and Technology Commission, the Chinese Academy of Science, and other organizations are expected to attend the meeting.

Japan and China have been promoting about 30 projects, including a survey on the development of metallic minerals and the Black Current in accordance with the treaty. They plan to embark on the afforestation project in the Takla Makan Desert of China beginning this year. At the committee meeting to be held in Beijing, both sides will present reports on the progress in research cooperation projects which have been implemented by the two countries; both sides are expected to formally decide to start the afforestation project.

The afforestation project is aimed at surveying features of the Takla Makan Desert in detail using such Japanese high technology as drilling and remote sensing by satellites and aircraft, and is also aimed at finding a mechanism for turning desert into usable land. About 20 Japanese researchers will go to the desert to find means for the afforestaton of the desert. The Science and Technology Agency plans to make this afforestation project a model case in Japan's contribution to resolving the environmental issue, using about Y1 billion beginning this year for 5 years.

The government, which has watched the attitude of Western nations toward China, has decided to resume holding the committee meeting because the United States has approved the export of communications satellites to China after announcing its intention to relax sanctions against China.

### Toray Industries To Export Plant to Shanghai

*OW0501113690 Tokyo MAINICHI SHIMBUN in Japanese 1 Jan 90 Morning Edition p 9—FOR OFFICIAL USE ONLY*

[Text] Toray Industries, a top synthetic fiber manufacturer, has revealed its decision to export a plant to China to produce industrial-purpose polyester long fibers. The company entered into a contract on the plant in May 1989, shortly before the outbreak of the Tiananmen Square incident, but the enforcement of the contract has since been withheld due to the domestic situation in China. At the end of 1989, Toray agreed to honor the contract, based on its judgment that "the domestic situation in China has more or less stabilized." This is the first instance since the Tiananmen Square incident that export of such a large plant has been agreed to. The plant for export is worth 2 billion yen.

Since Assistant to the U.S. President Scowcroft made a visit to China in December, the Japanese Government has been moving toward improving relations with China. The manufacturing industry, with Toray's plant export as a start, are expected to launch active efforts to secure orders from China, which is considered a very promising future plants market.

The industrial-purpose polyester long fibers to be produced in the Toray plant will be used as reinforcing materials in passenger-car tires, as well as reinforcing materials in mining-industry conveyer belts. The buyer of the plant is Shanghai Petrochemical Industries, which is the sixth-ranked enterprise in China. The plant's production capacity will be for 6,000 tons per annum. Toray will finish designing it and begin production this year. The plant will become operational in the spring of 1992, with training of Chinese technicians completed by then.

China, in its current Seventh 5-Year Plan (1986-1990), is giving emphasis to the development of the automobile industry, setting aside 10 billion yuan to invest. Car production has recently been growing at a pace of 25 percent a year, and a total of 500,000 cars are being produced from its 11 plants annually.

Where reinforcing materials for car tires are concerned, the trend is that polyester materials are now more popularly used in place of nylon materials which have been used in the past. The polyester materials are said to provide better cushioning than nylon. China now has textile-purpose polyester fiber plants, but no full-scale industrial-purpose polyester fiber plant. This has led to China's decision to import a plant from Toray.

### Cooperation With China in Building Power Plant

*OW0701182390 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] Japan and China are making moves toward the realization of joint ventures in the field of power plants to be built in China. At the request of China, approximately 20 Japanese firms, including the Electric Power Development Company, the Mitsui Mining Company, and the Industrial Bank of Japan, will conduct joint surveys and research with China on how to manage and construct power plants within the framework of joint ventures.

China, which is suffering from power shortages, plans to upgrade facilities for 100 million kw, equivalent to 100

large power plants, by the year 2000. China wants to obtain loans from private financial sources in Japan to meet project costs estimated to be Y20 trillion. China also hopes to obtain Japanese expertise for the construction and management of these plants. The Japanese firms have decided to cooperate positively with China because Japanese-Chinese relations, which have been cool since the Tiananmen incident, are now likely to improve.

In addition to the three firms, plant makers, construction companies, trading firms, and the Japan Energy Economic Research Institute from the Japanese side will set up a "Japan-China Joint Venture Power Project Research Institute" (tentative name). The China Energy Research Institute, a research organization in the energy field, the North China Power Administration, an electric power enterprise, and other organizations in China will set up a similar body.

As the first phase for promoting the joint venture, both sides plan to formulate rules applicable to the management of power plants and to discuss in detail how Japanese investments and loans will be repaid in case the power plants are built and managed under a joint venture between the two countries, and how to deal with profits and losses generating from changes in foreign exchange rates. No decision has been made on where the power plants are to be built. However, because coal thermal power electricity will be the main source, potential sites will likely be in the vicinity of Shenmu coalfield in Shaanxi Province and other big coalfields.

Power supplies in China fall far behind the demand for electricity and planned outages are being carried out even at present.

### Japan To Assist PRC With Nuclear Power Safety

*OW1101151390 Tokyo TOKYO SHIMBUN in Japanese 7 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The government has firmed up its policy dealing with providing technical assistance to China on the safety of nuclear power stations, a Foreign Ministry source revealed on 6 January. This will be explained by Foreign Minister Nakayama to Zou Ziahua, China's minister in charge of the State Planning Commission, when the latter visits Japan as a guest of the Foreign Ministry. He is due to arrive on 16 January.

If the Chinese side shows an intention of accepting Japan's offer, a director-general-level consultative meeting on nuclear power stations will be held between Japan and China in Tokyo (or Beijing) in order to come up with a concrete plan for it. Japan plans to propose an exchange of information on nuclear power stations, the dispatching of specialists, and training of technicians.

According to a survey by the Foreign Ministry, China presently has three nuclear power stations under construction. Among them, the Qinshang Nuclear Power Station (300,000 kilowatts) in Zhejiang Province was scheduled to be completed last year, but is now expected to be finished this year. Dayawan Nuclear Power Station in Guangdong Province (two plants of 900,000 kilowatts each) is scheduled to have its first plant completed in 1991 and its second plant in 1993. Qinshang Nuclear Power Station plans to have a second nuclear plant of 600,000 kilowatts constructed as well. Dayawan Nuclear Power Station, when completed, will supply 70 percent of its power output to Hong Kong.

China's nuclear power plan prospects are such that they will probably see the actual operation of a power plant this year, but the problem is the safety with such plant. China is a nuclear arms power, and is believed to have top-class technology on safety. However, should an accident occur by any chance, because of the geographical proximity between China and Japan, the resultant effect could be far more serious than that from the accident at the Soviet's Chernobyl Nuclear Power Station in April 1986.

Many believe that this "concern" is hidden behind the government's aggressive attitude in offering technical cooperation to China on the safety of her nuclear power stations.

Possibilities for the forms of cooperation under study by the Foreign Ministry include: (1) Japan will just provide technical cooperation alone; (2) At the Qinshan Nuclear Power Station, generators and nuclear fuel are currently supplied by China, with compression containers supplied by Japan (Mitsubishi Heavy Industries), first-step cooling-water pump supplied by West Germany, and remaining parts supplied by France and Sweden. That being the case, Japan will call on West Germany and other concerned industrialized nations to participate in a joint technical cooperation program; (3) Japan will provide funds for technical assistance to the International Atomic Energy Agency (IAEA). The government plan is to respect the choice made by the Chinese side from these alternatives.

In January last year, the first consultative meeting on Japan-China nuclear power cooperation was held in Beijing to discuss details of cooperation. Japan is now proposing to hold a second meeting in Tokyo, and has been sounding out the view of China on it through diplomatic channels. The Japanese side is willing to accept Beijing as the venue, however, if so desired by the Chinese side. The venue is expected to be fixed pursuant to the desire of the Chinese side when Minister Zou Ziahua visits Japan.

### Cooperation With PRC in Soybean Production

*OW0701231990 Tokyo ASAHI EVENING NEWS in English 6 Jan 90 p 4—FOR OFFICIAL USE ONLY*

[Text] Major trading house Nichimen Corp. will start a soybean production and export project jointly with

China in Heilongjiang Province. The company will cooperate in the provincial government's state farm administration by introducing technology for cultivating soybeans for oil extraction from Japan and lending money to supply large-scale agricultural machines from the United States.

The experiment to cultivate soybeans started in May 1989 on three sites in the province, about 700 hectares in total. The project is expected to start in 1992 after a soybean species and cultivation method are selected based on the experiment. The soybeans will be planted on around 20,000 to 50,000 hectares of land to produce several tens of thousands tons a year.

Chinese and the company officials say the project will enable China to introduce funds and technology necessary to promote export-oriented agriculture and to earn foreign currency. Meanwhile, Japan can obtain a stable agricultural supply through the joint venture, according to the officials.

A Japan External Trade Orgnization survey shows that Japan's soybean imports during 1988 were 4.68 million tons, but only 300,000 tons came from China. Meanwhile, about 12 million tons of soybeans were produced in China in 1987 and almost one-third of that came from Heilongjiang Province.

## North Korea

### Government Wants To Improve Ties With DPRK

*OW1201011190 Tokyo THE DAILY YOMIURI in English 10 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] Following up on signs that North Korea is ready to improve its relations with Japan, the government will try to send Pyongyang signals via diplomatic channels in Beijing and Belgrade that it too hopes to improve bilateral relations, government sources dislosed Tuesday.

One topic Japan hopes to have the go-betweens discuss is a planned visit to Pyongyang by members of the Liberal Democratic Party [LDP], the sources said.

Last month Chuji Kuno, an LDP member of the House of Representatives, visited Pyongyang in his capacity as chairman of the Parliamentary Association for the Promotion of Friendship Between Japan and North Korea.

His trip was the most recent by a Japanese dietman to North Korea, the only country with which Japan does not have diplomatic relations.

Kuno said on his return that some North Korean officials had shown interest in resuming official bilateral talks.

The contacts in Beijing and Belgrade will be useful in allowing the two nations to review their relations against the backdrop of a new worldwide political climate brought about by democratization in the Soviet Union and Eastern Europe, the officials said.

The sources added that Japan hoped improved relations would lead to the release of two Japanese fishermen who Pyongyang has detained for nearly six years for allegedly violating its territorial waters.

The sources added that other signs also point to a change in North Korea's policy toward Japan.

### DPRK Said Ready To Extradite Hijackers Via Beijing

*OW0701014790 Tokyo THE DAILY YOMIURI in English 5 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] North Korea is ready to extradite seven Japanese men wanted for hijacking a Japan Airlines [JAL] planes in 1970 if they agree to return home and face prosecution, informed sources said Thursday.

According to the sources, who contacted (North) Korean Workers' Party executives in November, Pyongyang authorities are prepared to extradite the men via Beijing.

Takamaro Tamiya, 46, and eight other former members of the defunct Kyosando Communist League, a Red Army faction, were put on an international wanted list after they hijacked the Yodogo, a JAL aircraft, in March 31, 1970, and fled to Pyongyang.

Kintaro Yoshida, one of the fugitives, died in September 1985 and Yasuhiro Shibata, another member, was arrested in May 1988 after smuggling himself back to Japan.

Tamiya and the others reportedly expressed their willingness to return to Japan if the government promised not to prosecute them.

It was also learned that Tamiya, the suspected leader of the group, fell seriously ill last summer, according to the Metropolitan Police Department.

The sources said the North Korean authorities are willing to send back the seven men on condition that Japanese authorities will not arrest them on North Korean territory and that the Japanese Government express its appreciation to Pyongyang,

It the extradition materializes, Japanese Embassy officials in Beijing will accompany the men from Pyongyang to Beijing, where they will transfer to a Japanese flight, the sources said. They would be arrested when the plane flies over international waters.

## Europe

### Kaifu To Focus on New World Order on Trip

*OW0801103890 Tokyo THE JAPAN TIMES in English 7 Jan 90 pp 1, 2—FOR OFFICIAL USE ONLY*

[By Hisane Masaki, JAPAN TIMES staff writer: "Kaifu Europe Trip Will Focus on New Global Order"]

[Text] Prime Minister Toshiki Kaifu leaves Monday for an 11-day tour of Europe, his most extensive overseas trip since he took office last August.

Kaifu, accompanied by his wife, Sachiyo, and Foreign Minister Taro Nakayama, will visit West Germany, Belgium, France, Britain, Italy, the Vatican City, Poland and Hungary—in that order—before returning home on Jan. 18.

The main objective of the trip is demonstrate Japan's willingness to play an active role in helping to develop a new global order "in a favorable and stable manner," a high-ranking Foreign Ministry official said on condition that he not be named.

With rapid and dramatic changes sweeping across Eastern Europe, the state of confrontation that has characterized East-West relations since World War II is being replaced by a new global order based on more cooperation between the bloc led by the United States and the one led by the Soviet Union, the official said.

Kaifu also apparently hopes the trip will help bolster his power base, which a majority of Japanese politicians regard as very fragile, and help reinforce public support for the ruling Liberal-Democratic Party as the crucial Lower House election expected next month draws closer.

#### First Stop—Bonn

Kaifu chose Bonn as his first destination amid growing talk about possible reunification of East and West Germany in the wake of the November collapse of the Berlin Wall, the symbol of the postwar division of the two Germanys.

Kaifu will visit the Berlin Wall on Tuesday afternoon for the first time since 1962, when he visited West Germany just a year after the wall was built.

If democratic reforms proceed in East Germany, it is "inevitable" that the two Germanys will move toward reunification, the official said.

While acknowledging the concerns of the U.S., the Soviet Union and other Western and Eastern European nations about the re-emergence of such a dominant nation as the one seen in the prewar period, the official said Japan will support the eventual reunification of the two Germanys.

However, the official added, there is a consensus among European nations on two conditions that must be met before the reunification of Germany can proceed: West Germany must remain a member of the NATO, and German reunification must be achieved within the framework of agreements reached at the 35-nation Conference on Security and Cooperation in Europe in Helsinki in 1975.

In West Berlin, Kaifu will deliver a keynote speech spelling out Japan's policy toward reformist Eastern European nations as well as its views on the dramatically changing situation in Europe and easing East-West relations.

In the speech, Kaifu will stress Japan's commitment to supporting "historic" and "irreversible" changes toward greater freedom, democracy and a market economy under way in Eastern Europe, a government source said.

#### Ensuring Peace

Kaifu will also express his view that the changes in Eastern Europe and easing tensions in East-West relations will help ensure peace and stability in the Asia-Pacific region and the rest of the world, the source said.

The prime minister will also emphasize the need for closer ties between Japan and Western Europe as well as for an easing of tensions in the Asia-Pacific region, where North and South Korea and the Cambodian conflict remain to be resolved, the source said.

In his talks with the leaders of Western European nations, including British Prime Minister Margaret Thatcher, French President Francois Mitterrand and West German Chancellor Helmut Kohl, Kiafu will discuss both international and bilateral issues and will reaffirm the need for closer ties between Japan and Western Europe.

Other West European leaders that Kaifu will meet include Belgian Prime Minister Wilfried Martens, Italian Prime Minister Guilio Andreotti and Jacques Delors, president of the European Community Commission.

Kaifu will also have an audience with Pope John Paul II during a visit to Vatican City.

The 12-nation EC is to be integrated into a huge common market with 320 million people in 1992. The changes in Eastern Europe have raised the possibility of an even greater Europe that involves Western, Central and Eastern European nations.

While urging the unified EC to be open to the rest of the world, instead of becoming a Fortress Europe, Japan will welcome a stronger Western Europe, another government source said.

As the world is likely to be increasingly polarized into the U.S., Europe and Japan, Japan needs to strengthen ties with Western Europe, which are weaker than those with the U.S., the source added.

**Help for Poland, Hungary**

After visiting the Western European nations, Kaifu will go on to Poland and Hungary, where he will explain the details of Japanese measures aimed at helping economic reforms in the two Eastern European nations.

Kaifu's visit to Poland is the first by a Japanese prime minister since 1987, when then Prime Minister Yasuhiro Nakasone visited there, and his trip to Hungary will be the first ever by a Japanese Premier.

In Warsaw, Kaifu will meet with President Wojciech Jaruzelski, Premier Tadeusz Mazowiecki and Solidarity leader Lech Walesa. In Budapest, Kaifu will hold talks with acting President Matyas Szuros, Prime Minister Miklos Nemeth and other political leaders.

Japan has already pledged a $200 million package of measures to aid economic reforms in Poland and Hungary, including the provision of $150 million in low-interest loans to the newly created fund designed to help stabilize the Polish currency.

Among other promised measures are an emergency food supply to Poland, acceptance of technical trainees and the dispatch of a government environmental mission to Poland and Hungary.

Resumption of loans by the Export-Import Bank of Japan and new or expanded state-run trade insurance for Japanese firms doing business with Poland and Hungary were also pledged. However they are conditional on the two nations' economic restructuring agreements with the International Monetary Fund and on debt-rescheduling pacts with Western creditors.

Kaifu is expected to pledge $500 million in Ex-Im Bank loans each for Poland and Hungary over three years, as well as an annual trade insurance ceiling of $350 million of Poland and $400 million for Hungary.

In addition, Kaifu is expected to offer to begin negotiations on an investment protection treaty with both Poland and Hungary and also to send a government mission in April to study the investment climate there.

In his talks with Polish and Hungarian leaders, Kaifu is expected to discuss ways of expanding bilateral relations, not only in economy and trade but also in politics and culture.

**Proposed Loan Shares**

The European Community Commission wants Japan and the United States to share a combined 16 percent of a proposed 15 billion European currency unit multilateral fund designed to help promote economic reform in Eastern Europe, it was learned Saturday.

The 12-nation EC is prepared to bear 51 percent of the fund, which will be provided over five years at a rate of 3 billion ECU [European Currency Unit] per annum, an EC diplomatic source in Tokyo said.

The EC wants the six-nation European Free Trade Association to cover 8 percent, Central and Eastern Europe to bear 18 percent, and the 24 member nations of the Organization for Economic Cooperation and Development—except the EC, Japan and the U.S.—to provide 7 percent, the source said.

## Editorial Comments on Kaifu's European Trip

*OW1201021690 Tokyo MAINICHI DAILY NEWS in English 10 Jan 90 p 2—FOR OFFICIAL USE ONLY*

[Editorial: "Kaifu's Visit to Europe"]

[Text] Only since the early 1980's have leaders of Japan been carrying on active dialogue with their European counterparts concerning the international situation. Such was our limited political relationship with Europe in the past.

But with democracy movements raging in Eastern Europe and market unification imminent in the European Community, Japan now faces an important challenge of how to build cl ser relations with the region both politically and economically.

This is the bakcground of Prime Minister Toshiki Kaifu's visit to eight European countries including Poland and Hungary. It is not too much to say that the outcome of this visit will see how successfully Japan can bring its relations with Europe closer to the level of the historic ties between the United States and Europe and between Japan and United States.

Kaifu's trip was first devised to forestall a year-end dissolution of the House of Representatives. The countries of visit were chosen to enable Kaifu to impress the Japanese with the advantage of liberalism by calling for support for Eastern Europe, a domestically motivated ploy with an eye on elections. If such is Kaifu's utmost concern, the result of his visit is already in doubt.

The world is watching how Japan is going to be involved with Europe, not to say what specific support it will extend to Eastern Europe, and what it is doing toward formulating a new international order.

The Japanese, on the other hand, are not likely to be convinced by a simplistic display of freedom and democracy. They are increasingly frustrated by opaque diplomatic ideals of their government and a lag at the political level, in charting Japan's future course.

Kaifu needs to be persuasive both at home and abroad.

He reportedly plans to emphasize to European leaders the theme that Japan will play a role in expediting the creating of a new order in the international community on the basis of its values that are common with those of the EC and the U.S. On assistance for Eastern Europe, Kaifu is expected to present a broad context in which Japan will urge the promotion of European integration.

The general idea is fine, but to make it convincing Japan needs to work hard and patiently to gain confidence in itself.

The key words like cooperation and common values with the West need to be backed up with Japan's concrete proposals on global environmental issues and human rights questions, including those of Eastern Europe.

Former Prime Minister Noboru Takeshita pledged Japan's non-military cooperation toward international peace, expanded ODA [Official Development Assistance] and enlarged cultural exchange in a speech in London in 1988. But despite Japan's endeavors along these lines, this country is still far from gaining the reputation as having been opened.

This is because of the belief that Japan is continuing its economic expansion without principles and the doubt about what kind of country Japan is striving to become, and how it intends to be involved in the international community. Although Kaifu stressed that Japan wanted to be a fairer and more humane nation on his visit to Washington last year, the U.S. is still critical of Japan as being unfair economically and holding different values.

Detente in Asia is lagging, in contrast to Europe. Japan cannot afford to remain passive, taking for granted that things are different in Asia.

Detente in Asia is vital to move the world from confrontation to cooperation. What can Japan do about it?

Thus it is also important for Kaifu to deepen the interest of European leaders in Asia through discussions on the Soviet Union, China and the Korean Peninsula and explore avenues for the settlement of outstanding issues.

Kaifu's vision, insight and actions are at stake on this visit to Europe.

### 'Motives' Behind Kaifu's European Trip Viewed

*OW1001051590 Tokyo THE DAILY YOMIURI in English 8 Jan 90 p 1—FOR OFFICIAL USE ONLY*

["Political Pulse" column by Raisuke Honda, YOMIURI SHIMBUN editor: "Two Motives Behind Kaifu European Trip"]

[Text] Prime Minister Toshiki Kaifu is expected to take advantage of the opportunity offered by his eight-day trip to Europe, which starts today, to kill two birds—one international, the other domestic—with one stone.

On the international front, the visit will allow Kaifu to demonstrate Japan's willingness to contribute to the world by declaring its firm support, both political and economic, to Eastern European countries. At the same time, the trip allows him to flex political muscle as president of the Liberal Democratic Party, just in time to drum up support for the general election of the House of Representatives, expected in February.

The world is seeking a new international order in the post-Cold War era, regarded as beginning after the Malta summit between Soviet President Mikhail Gorbachev and U.S. President George Bush. The trip will enable the prime minister to declare Japan's international policy, as yet unstated, toward the changes occurring in the world.

Kaifu will meet West German Chancellor Helmut Kohl in West Germany, the first nation on his itinerary. He is also scheduled to visit the Berlin Wall, where he is to deliver a speech on Japan's new European policies.

As an economic giant, it is natural for Japan to extend economic assistance to East Europe, and Kaifu can take advantage of this opportunity to show Japan's commitment to the international community. But more importantly, Kaifu must speak in a dignified, forceful manner to dispel the reputation that he has a weak foreign policy. We hope that he espouses a personal philosophy and concrete policies, not merely parrot the opinions of Foreign Ministry officials.

The prime minister will announce a variety of aid programs for Poland and Hungary when he visits these key countries. The plans include a low-interest $150 million loan to Poland for economic stabilization and food assistance, an industrial technology trainee program, and corporate management training for both countries.

The assistance packages are not more impressive, because, according to government sources, it is not wise for Japan to extend extensive assistance to East European countries since they are far away from Japan.

However, Western Europe and the United States believe that Japan, which achieved economic success within the Cold War structure, has an obligation to support East Europe.

Kaifu's itinerary includes eight countries. He said the schedule was enlarged to accommodate more nations because he felt it was impolite to visit one country and not its neighbor. It is safe to conclude, however, that Kaifu would like a bigger "international stage" to stand on before the general election.

At home the favorable business climate shows little sign of abating and the government has approved the fiscal 1990 budget, with an eye toward the general election. However, planned revisions of the consumption tax, a key issue, are unpopular with the public.

Kaifu will try to take the public's eye off of the unpopular 3% tax by using the diplomatic trip to its fullest. He should, however, be careful about his statements. It would be a mistake if he were to showboat.

## ASAHI Views Prospects for Japanese Diplomacy

*OW0801012290 Tokyo ASAHI EVENING NEWS in English 6 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[ASAHI SHIMBUN 6 January editorial: "Kaifu's Mission"]

[Text] The trilateral relationship between the United States, Europe and Japan has long been likened to a scalene triangle with the side between Japan and Europe much longer than the other two. Prime Minister Toshiki Kaifu is visiting a Europe that has just such a relationship with Japan.

The turmoil in the Soviet Union and Eastern Europe comes amid radical changes in the diplomatic environment of the world. The world's attention will be focused on what helping hand Japan offers to East European counties that are now striving to reform themselves.

Japan's economic cooperation has traditionally been provided only to developing countries. Aid to more developed East European countries is unparalleled in this country, but it is only natural that Japan does what it can to promote the freeing of the world from the grip of the Cold War and the easing of East-West tensions.

At the same time, Japan's aid to East European countries is an expression of our intention to play a proper role in international politics inasmuch as we have become a major economic power. The world will be keeping a watchful eye on the speech that Kaifu plans to make in Berlin.

With the upheavals in Eastern Europe as a backdrop, the Foreign Ministry made a fresh assessment of the world situation at the end of last year and worked out the responses that Japan should make accordingly. The view of the ministry, which focuses on the idea that the "East-West Cold War is in the process of being liquidated," is likely to be the basis of the prime minister's speech.

The world is on the threshhold of a time when each country conducts its own independent diplomacy while seeking its own national interest and trying to cooperate for the sake of harmonization of the total interest of manking; a time quite different from the past when friends and adversaries were so apparent.

The Foreign Ministry stressed, in the assessment made at the year-end, that it is of particular importance that Japan further intensify its global partnership with the United States, while setting store by Japan's own originality.

But Europeans generally share the same view of Japan as Helmut Schmidt, ex-chancellor of West Germany, who said that Japanese foreign policy is characterized by a weak-kneed and compromising attitude toward the United States and not by imagination, the will to make changes and the freedom of independent action. We hope Kaifu will keep this in mind and try to erase such an impression.

One thing he could do is to present European leaders with a picture of how Japan perceives the changes in Europe and their relation to Asia.

So far the Japanese Government and the Foreign Ministry have been placing emphasis on how the Asian situation differs from that of Europe. Indeed, the Soviet Union's diplomacy of "new thinking" is centered on Europe and no agreement has been reached on the reduction of arms in Asia. Unlike Europe, where the picture of East-West confrontation is simple, tension in Asia takes different forms from region to region and is complicated.

But such differences on the surface are a well-known fact. Not only Europeans but Japanese must want to know what plans Japan has for creating a similar tension-easing atmoshpere in Asia as well.

In regard to the Soviet Union, Japan should aim at expanding friendly relations, including economic cooperation, although there are grave problems between the two nations over the northern territories. What should Japan do to achieve this goal?

In Europe, for instance, Soviet leader Mikhail Gorbachev did not bring about changes at the spur of the moment. They came about because of the accumulation of varous appeals and pressure from the West.

Preparations with foresight that will pave the way for the easing of tension would be needed in Japan's relations with China or the Democratic People's Republic of Korea (North Korea). The two nations have withdrawn into their conservative shells for the moment in shock reaction to the "fall" of Eastern Europe.

Does Japan have a diplomatic conception for the easing anxieties of the two nations and guiding them toward a tension-easing atmosphee in Asia?

Eloquent diplomacy does not mean a performance with bodily gestures. It means using clear language that will reach the hearts of the people even when translated and the presenting of concrete theories with principle. Can Kaifu meet these requirements? It will be a test for him.

## MITI Team To Monitor EC Product Standardization

*OW0801174690 Tokyo MAINICHI DAILY NEWS in English 7 Jan 90 p 7—FOR OFFICIAL USE ONLY*

[Text] The Ministry of International Trade and Industry has established a team to watch movements toward the standardization of products in the European Community and has started meeting with EC countries to make certain that the standardizing is not exclusivistic and discriminatory, MAINICHI SHIMBUN has learned.

Taking into consideration that the unified EC standards could become a non-tariff barrier, MITI has begun talks with the EC.

In the talks MITI wants to emphasize the importance of retaining clear standards, of enforcing general anti-discriminatory principles, and of taking into consideration the plight of developing countries, according to MITI sources.

MITI's biggest worry is that the concerns of non-European countries will never be heard in the process of developing unified EC standards.

According to MITI sources, the EC standardization will be based on the two pillars of "EC commands and rules," and "European standards."

The EC commands and rules, which will have legal force, are intended to protect user's health and security. EC countries will develop the technical standards of the EC commands and rules sometime in 1990.

There are eight brackets which make up the EC commands and rules; machine tools, pressure containers, super-heavy machinery, toys, compatibility of appliances, electrical medical equipment, gas appliances and personal protection devices.

The European standards are aimed at industrial standards, with 786 standards already in its numbers.

They consist of a unification of terms and symbols, and the simplification and specialization of sizes, forms and classes of materials, parts and products.

MITI sources say that the EC countries are also considering standardization and normalization at the level of technical development in order to promote cooperative joint enterprises between EC industries.

The European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) are working in cooperation with the EC to develop the unified standards.

CEN and CENELEC will base the development of its unified EC standards on the same existing international standards as the International Standardization Organization (ISO), and the International Electrotechnical Commission (IEC) have.

ISO, established in 1947, promotes the unification of universal industrial standards, and the IEC is working for a unification of standards within the electronics industry.

But since they have made it clear that they will not be bound by such standards, there is the possibility that the unified EC standards will have parts that do not apply to non-European standards such as the Japanese Industrial Standards (JIS) and American National Standards Institute, Inc. (ANSI).

## Editorial Views Rise of 'New Europe,' Trade Issue

*OW0701010890 Tokyo THE JAPAN TIMES in English 4 Jan 90 p 18—FOR OFFICIAL USE ONLY*

[Editorial: "Japan, Germany and 'New Europe'"]

[Text] With the "European evolution" of 1989, history has turned a page. The political transformation that took 10 years in Poland, 10 months in Hungary, 10 weeks in East Germany, 10 days in Czechoslovakia, may now have taken as many as 10 thousand lives in Romania. As a result, Europe is becoming the master of its own house for the first time since World War II.

The rise of the "New Europe" has strategic significance for Japan as the final decade of the 20th century begins to unfold. Primed by massive media interest in the implications of the European Community's [EC] new single-market scheduled to be launched in 1992, our attention is increasingly focused on the future of Germany.

Last week it seemed that the cry "Deutchland, Deutschland" was on everybody's lips. It was shouted at West German Chancellor Helmut Kohl during his often rapturous reception in East Germany. It was also clearly echoing in the minds of Japanese institutional investors who sent West German stocks soaring in what one financial analyst described as a "melt-up" in German stocks.

Will 1990 therefore answer the "German Question"? Many commentators suspect it might, and the most excited among them are already arguing two points. First the next 12 months are going to see the rebirth of a united democratic and capitalist Germany for the first time in six decades. Second, this new Germany will be able to exercise the kind of political and economic influence that will make it the preeminent power in a Europe which is no longer dominated by either the Soviet Union or the United States.

Regardless of the suggested timetable or the soundness of such speculation, the immediate future of Germany demands careful attention in this country for reasons that will both flatter and irritate many Japanese.

On the flattering side is the view that Bonn (or, someday, Berlin), together with Tokyo and Washington, will play a decisive role in determining just how porous the walls now being erected in the world's nascent economic blocs (in East Asia, North America, and Western Europe) will be.

More irritating, however, is the growing number of overseas commentators (and not just in America) who are insisting that Japan and Germany be jointly blamed for the persistent instabilities of the world's free trading system. In other words, Germany is being increasingly viewed not as an example of commercial openness which can be used to chide Japan (remember the recent intellectual wrangle about "adversarial trade"), but as

another case of semi-closed economic system which generates the sort of one-sied trade imbalances that threaten the future prosperity of the world.

Japan's "German Question" is a prickly package. Will, for example, the "New Europe" speak German? If it does, will it be the language of free trade?

Even in a much expanded European Community (already the world's largest market), a united Germany could claim a $1.5 trillion GDP which, though only a little more than two-thirds of Japan's, is one and a half times that of France, its largest competitor within the EC. The financial rectitude of the Bundesbank will guarantee it a unique role in the creation of a central European bank. The closer the links between the EC and the newly liberalizing countries of eastern Europe, the greater will be the role of Germany in restructuring their economies.

In turn, the elative strength or weakness of Germany's commitment to free trade will determine whether Frankfurt replaces London as Europe's principal financial market or whether Europe's labor market rigidities are decisively eased. It will also decide the size of the EC welcome mat for Japanese products and investment.

The current souring of Japan's relations with the U.S. suggests that there are two areas where this nation, particularly its manufacturers, will have to act with prudence. One is trade. European exports have achieved significant and eye-catching success in the Japanese market, and this trend should be encouraged. The other is competition in manufactgured goods. The coming battle over luxury cars is just one area where a European defeat, especially for Germany, could fuel anti-Japanese protectionism on a massive scale. Let there be competition by all means, but competition without chauvinism.

More important still, Japan and Germany must seek out opportunities to share the burdens that are increasingly falling on our shoulders in the struggle to keep the world's fragile free trading system vital and effective.

## Business Groups To Promote Ties With E. Europe

*OW0501223490 Tokyo JIJI in English 1336 GMT 5 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo, Jan. 5 (JIJI PRESS)—Japan's four largest business organizations said Friday that they will actively promote economic cooperation with East Europe. At a joint New Year's press conference, the organizations' leaders said democracy movements in Eastern European nations will contribute to world peace and security, and pledged their support for those movements.

Eishiro Saito, chairman of the Federation of Economic Organizations (Keidanren), said democatization in East Europe needs both spiritual and material support from the West and that Japan should show its commitment as a member of the Western bloc.

Turning to the spring labor offensive, Eiji Suzuki, chairman of the Japan Federation of Employers' Associations (Nikkeiren), expressed opposition to a large wage hike demanded by labor unions. He pointed out that the 8 pct increase being demanded by some labor unions will lead to inflation and urged management and labor to hold increases below 5 pct, lower than last year's level.

Rokuro Ishikawa, president of the Japan Chamber of Commerce and Industry, took up the land and housing issue, commenting on the important role of financial institutions. He added that across-the-board restrictions are necessary to stabilize land prices.

Takashi Ishihara, chairman of the Japan Association of Corporate Executives (Keizai Doyukai), supported Ishikawa's view and said that the legislature and executive must act jointly in tackling the problem.

## MITI To Insure Cement Joint Venture in Poland

*OW0501044990 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The first joint venture project between Japan and Poland will start soon. In cooperation with a Japanese cement maker, the International Finance Corp. [IFC], which is a sister organization of the World Bank, and a Polish cement company, Toyo Menka Kaisha [Tomen] will establish a joint venture company to manufacture cement in Poland. The two sides are working on an official contract with factory operations expected to start by the end of 1992. The Ministry of International Trade and Industry [MITI], after receiving an official application, will provide trade insurance (overseas investment insurance). It will be the first case of resuming trade insurance to Poland as the government seeks to promote investment and trade by enterprises. The Japanese Government, in light of Prime Minister Kaifu's East European visit in mid-January, is providing full cooperation, treating the joint venture as a symbolic project in its support for Eastern Europe.

IFC and Japanese enterprises, including Tomen, will invest 51 percent, and the Polish side will invest 49 percent. Of the 51 percent, IFC will invest 15 to 20 percent, and Tomen and a Japanese cement maker will invest the rest. Onoda Cement Co. is most likely the partner on the Japanese side. On the Polish side, a cement maker and the Industrial Development Foundation will invest in the joint project.

A factory will be constructed in Szczecin, a port city located near the border with East Germany. Its annual production capacity will be 2 million tons, which is about 12 percent of Poland's total cement production. With CEMA's expected change to dollar transactions after 1991, the joint venture will supply cement to East European nations as well. Production technology will be provided by Japanese enterprises.

Poland now produces 17 million tons of cement a year for construction and other purposes. However, most cement factories do not have antipollution measures, such as dust control, and it is becoming a serious issue. Therefore, Poland will import a "pollution-free" cement plant from Japan. Poland also plans to pay off foreign debts by exporting cement to Europe and the United States, where cement is in short supply.

On industrial cooperation with Poland, Daihatsu Kogyo Co.'s passenger vehicle production plan, which was initially designed as a joint venture, is currently under study as a technological grant. Moreover, Tomen and Asahi Glass Co. are promoting a plan to establish a glass company. However, Poland and the IFC expect much from the cement factory, which will also fight environmental pollution. Thus, it is very likely that the cement factory will be the first joint venture project.

MITI plans "to positively study the possibility of providing trade insurance, aimed at easing investment risks, if the project has a reliable repayment plan," (according to a MITI official). Thus, it is likely MITI will approve the plan when an official application is made.

## International Affairs

### Former Finance Minister Miyazawa Interviewed

*OW0601092490 Tokyo THE JAPAN TIMES in English 3 Jan 90 p 17—FOR OFFICIAL USE ONLY*

[Text] Former Finance Minister Kiichi Miyazawa believes that Japan should forswear it will ever seek the status of a major military power and make that commitment unmistakably clear to the world. While Japan must continue to rely on the U.S. for security, Miyazawa proposes that Japan offer even "more than enough" in economic assistance to the developing countries and Eastern Europe.

He refused to side with the view that the diminishing Soviet threat is likely to result in a tougher U.S. policy toward Japan. Japan and the U.S. are tied to each other by shared values. It's unthinkable that the Soviet Union will come to have more in common with the U.S. than Japan does, he said.

Also emphatically declaring Japan to be a democracy and a market economy, Miyazawa doubts that the questioning by the so-called revisionists of Japan's compatibility in the liberal Western community is constructive for the management of economic problems between Japan and the United States.

Miyazawa, 70, who has also served in most of the major Cabinet portfolios such as foreign minister, international trade and industry minister and deputy prime minister, made these comments during a recent interview with The Japan Times. The interview, conducted by Publisher and Chairman Toshiaki Ogasawara, covered a broad range of topics from the outlook for change in the Soviet Union and Eastern Europe to Japan-U.S. relations in the 1990s.

Miyazawa expressed doubts as to the extent to which the Soviet Union and Eastern European countries, after decades of a closed and centrally controlled economic life, will be able to succeed in introducing market-oriented economic reforms.

Miyazawa, the head of one of the major factions within the ruling Liberal-Democratic Party [LDP], predicted the LDP will be able to win a "bare majority" in the next general election expected in February, but remained noncommittal about whether he will seek the LDP presidency and prime ministership.

Following are excerpts from the interview:

[Ogasawara] How do you see the outlook for the advance of reforms in Eastern Europe and the Soviet Union itself?

[Miyazawa] Reports say essential consumer goods are still in short supply in the Soviet Union and particularly in Moscow. Citizens are said to be forming long lines to get them. So it is easy to imagine that perestroyka is not popular among the Soviet people.

Soviet President Mikhail Gorbachev is grappling with a formidable task. He is trying to reverse a way of life that has taken hold over the last 70 years in Soviet society. Resistance by the so-called nomenclature and other members of the establishment and conservatives must be very strong. I want to see Gorbachev nevertheless carry through successfully what he started.

Another problem is how and to what extent Eastern European countries can advance pluralist reforms through elections, although in the Soviet Union I don't think for the time being there will be any changes in the constitutional provisions about the Communist Party's leading role. It also remains to be seen how Gorbachev would compromise with the Baltic republics over their demands for independence and keep them in the fold of the Soviet Union.

In addition, I have doubts about whether East European countries and the Soviet Union can successfully transplant a market economy and make it work. The Soviet Bureaucracy and people have never—or at least during the last 70 years—had any such tradition or knowhow in a market economy.

A market economy will prove difficult for them to adopt because it involves a great deal of initiative and competition. I fear some of the Soviet bloc countries might give up on the economic reforms only half way through. But they can't have a half-capitalist and half-socialist economic system. In 1990, we will be able to see how these uncertain factors will develop or be resolved.

[Ogasawara] U.S. relations, after all, remain central to Japan. That is why we are uneasy over the popularity of

the so-called revisionists' books and views in the U.S. Concern is also felt over U.S. reaction to the pirated English version of the book "The Japan that Can Say No" co-authored by Sony Chairman Akio Morita and Liberal-Democratic Diet member Shintaro Ishihara, which is being read widely in Washington and elsewhere.

[Miyazawa] I have read most of the books and articles written by those revisionists, including Karel van Wolferen. Having done this, I had the impression that although clearly these writers had thoroughly researched, they had a thesis or, if you will, a dogma to begin with. Then they gathered facts which supported and substantiated it. The proposition they have had from the beginning, it seems to me, represents a twisted view of Japan.

True, they have several good points to make. I agree, for instance, that Japanese consumers deserve a fair break. Taken as a whole, however, what these revisionists attempted is a comparative commentary on cultures. The late U.S. Commerce Secretary Malcolm Baldrige provoked a great controversy once when he suggested that Japan change its culture to close the trade imbalance. At that time, we were well aware, on both sides of the Pacific, that it is irrelevant to debate cultural questions in seeking a solution to an economic problem.

I don't think it is completely meaningless for revisionists to touch on the subject of cultures, but there is the danger that such an approach could lead to racism, which we should avoid. Therefore, if we are embroiled in debating cultural differences, we hit a dead-end, finding no choice but go back to the start—economics. If you look at the recent events the other way around and think the revisionist arguments were perhaps exhausted in 1989, we might hope this year there will be no more of such talk and the debate will get out of the cul-de-sac and return to economic fundamentals.

In that sense, Mr Ishihara risked touching off the kind of controversy Americans are carefully trying to avoid. His way of talking back to Americans also is not constructive to the effort of defusing Japan-U.S. friction.

[Ogasawara] U.S. Ambassador Michael Armacost said the other day that the U.S. wants some agreement on an interim report, to come out in the spring this year, from the ongoing Structural Impediments Initiative [SII] talks.

[Miyazawa] It is my understanding, too. The SII is a strange exercise with a strange name—strange because "structural" is a concept unlikely to come from Americans. And since Americans agreed to this idea of having "structural" talks, they should not speak about something like retaliation, even if they cannot bring about changes overnight.

I have long thought, since the early 1960s when I first attended General Agreement on Tariffs and Trade Kennedy Round talks, that Americans are not clear about GATT's principle of "national treatment," vis-a-vis their traditional notion of reciprocity. This means that, for example, foreign banks may open branches in Tokyo the same way Japanese banks do.

However, what Americans want is reciprocity; they argue American banks should be free to do in Japan what Japanese banks are allowed to in the U.S. This is a principle not sought by GATT. Reciprocity requires structural changes (in different trading countries).

Having the freest economy in the world, Americans understandably expect other countries to have similar arrangements. U.S. demands for reciprocity would mean a change in the institutions of other countries and therefore cannot be accommodated quickly. So Americans often turn to football or baseball for comparison in discussing trade problems. In reality, however, changing the institutions of a country is not as simple as applying the same rules to all participants in a field of sports. It is wrong for the U.S. to think it can call other trading partners unfair and retaliate against them even if they can offer no more than is required by GATT.

[Ogasawara] Do you agree to the view that as U.S.-Soviet tensions ease the U.S. will become tougher toward Japan?

[Miyazawa] I have never thought of it that way. I strongly believe the heart of the Japan-U.S. relationship is that we share the same values. As long as this remains unchanged, and this must not change no matter how much U.S.-Soviet relations may improve, I cannot imagine that the U.S. will share more values with the Soviet Union than with us. Also in Japanese-American security relations, I have long believed that Japan should increase its economic share of the burden, although there are questions on whether further expanded Japanese contribution can be accommodated without modifying the status of the forces agreement. Even if Japan's fiscal burden should increase as a result of detente, we should be ready to shoulder it.

[Ogasawara] Going back to the revisionists' questioning of the postwar Japan-U.S. relationship—their ultimate contention seems to be that Japan is neither a liberal democracy nor a market economy in the sense they understand it and that, therefore, Japan has to be handled differently from the fully qualified members of the club.

[Miyazawa] If democracy is defined as "government of the people, by the people, for the people" then you can hardly say Japan is not a democracy. It is equally unreasonable to argue that Japan is less than a market economy only because newcomers to the Japanese market often have difficulty selling their products here. How can a country with as much competition as in Japan be called anything other than a market economy?

I want to emphasize here that Japan should reaffirm its commitment to the world many times over that it will not change its war-renouncing Constitution and will not become a military power. The world situation also favors Japan keeping that course.

At the same time, Japan should make clear that it proposes to contribute more than enough to world peace through nonmilitary means. Drastic expansion of assistance to the developing regions and to Eastern Europe are two of the areas where Japan's contribution will be particularly useful. I think it a top priority for Japan to declare such policies repeatedly to the rest of the world.

At home, I would like to see a massive increase in investment to improve Japan's infrastructure in order to make Japan a truly affluent society.

[Ogasawara] Do you think the LDP can win a majority in the next general election of the Lower House? And how will you improve the possibility of your winning the LDP presidency and prime ministership?

[Miyazawa] I think the LDP will be able to secure a majority, a bare majority at least, in the next general elections. Since we are fighting the election under the flag of Prime Minister Toshiki Kaifu, we have to be faithful to him if we win. This is a basic principle of behavior in a parliamentary democracy. And if I am asked to help him by joining his Cabinet, I will not hesitate to contribute my experience.

I cannot get rid of the feeling that in politics or in any other field one must be asked to be the leader, instead of grabbing it through a power struggle.

## JOURNAL Urges 'Fair Play' in Policy Making

*OW1401083190 Tokyo THE JAPAN ECONOMIC JOURNAL in English 13 Jan 90 p 9—FOR OFFICIAL USE ONLY*

[Article by Yutaka Kosai, president of the Japan Center for Economic Research: "Policies Must Be Based on Sense of Fair Play"]

[Text] The changes in international relations which occurred in 1989 were truly dramatic and revolutionary.

Currently under discussion is the issue of what influence the changes in East-West relations will have on relations between Japan and the U.S.

At the end of World War I, pressures emanating from Russia dissipated due to the Bolshevik revolution, leading to the end of the Japan-British alliance which had been the cornerstone of Japanese diplomacy.

The age was one of transition from Pax Britannica to Pax America, and it laked an interim leading power. Amidst this situation, Japan ultimately struck out on an independent path.

At present, Japan is attracting a great deal of attention as an economic power which did not commit itself to military expansion during the cold war.

At the time of World War I as well, Japan's switch to a creditor nation and its rise in economic status, as it profited tremendously while other nations fought a remote war, caught the world's attention.

After the end of the war, the nations sought to recover lost economic territory, and the frictions resulting from this became an important factor behind the outbreak of World War II. The failures of that era must not be repeated.

The change in the framework for East-West relations will reduce the relative leadership position of the two superpowers, and will spur additional multi-polarization of the international community.

The age will increasingly put more weight on the economy than on the military. This will undoubtedly increase the power and freedom of Japan. On the other hand, it will also bring harsher views toward Japan in the international community. In such a situation, Japan must act wisely and fairly, and through its own power.

By carefully examining the current situation, reflecting on past failures, and considering the position which Japan has been placed in, it is clear that the wisest choice would be to avoid self-complacency and isolation, and take the path of international cooperation.

This is the path which Japan took after World War II and it is not necessary to change it. As a leading nation Japan must promote this in a more conscious and autonomous manner. This would benefit not only Japan but the world order. A great nation is one which is aware of the deep connection between the profits of one country and those of the world.

When one speaks of international cooperation, the specifics invariably focus on cooperation with the U.S. This reflects the geographical, historical and economic relations between Japan and the U.S., and the fact that the U.S. remains the world leader, even if its power has declined somewhat. On these points it could be said that nothing has changed.

### Built-in Mechanism of Friction

In a multi-polar world, it is possible for Japan to brandish the "Asia card," or the "EC card." It would certainly not be wise, however, to get caught up in a pointless power game.

Rather, by maintaining a cooperative relationship vis-a-vis the U.S., Japan will be received more favorably both in Asia and in the EC. This is somewhat similar to the situation of West Germany, which by committing itself to the EC will make it easier to open the path toward German reunification.

Contrary to expectations, however, Japan-U.S. economic friction is actually growing worse. Even if friction is inevitable as contacts increase, it nevertheless cannot be allowed to escalate uncontrollably.

The improvement in Japan's current accounts in 1989 could be called dramatic. So why is it that friction

continues to worsen? A number of possibilities can be conjured up in response to this question.

First, competition over technological superiority has surfaced. Second, friction has taken on a conceptual nature, including an emphasis on the uniqueness of Japan. Third, politics in both countries have become deadlocked, making it difficult to exercise the leadership necessary to overcome friction.

Fourthly, and most noteworty, friction itself contains a built-in mechanism through which, if left to itself, escalates automatically.

Under the new U.S. trade law, every spring the U.S. must discuss whether or not to invoke the Super 301 provisions. Unless there is some change of considerable proportions, it will be very difficult politically for the U.S. to narrow the scope of the law's application this year.

The Structural Impediments Initiative may well have been devised with the intention of easing the impact of Super 301, but if it yields no results, it may turn into unwanted baggage and ultimately become a time bomb.

Due to the rise in Japanese power, there have been strong demands that Japan use that power fairly. In particular, a double standard for domestic and external policies will no longer be permitted.

Allowing one's own markets to remain closed, while relying on free world trade for one's prosperity, is no longer acceptable. Moreover, even with regard to Japan's domestic customs and institutions, if they do not wash when viewed from international standards, then Japan must move to correct them.

This does not mean that all Japanese ways to doing things must be adjusted to fit with foreign countries. Japanese practices and rules can be allowed their uniqueness. They must also, however, be able to hold up to international criticism. One example of this is the need to assure clarity and openness regarding administrative procedures and business practices.

The fact that Japan must actively contribute to the world has become widely acknowledged inside Japan as well as outside. Contribution to the global community is being trumpeted by the Japanese Government, along with building a high quality of life domestically, as its principle objectives.

This is all well and good, but perhaps the Japanese have come to think too much of these two as entirely separate. The idea seems to be that those things relating to Japan will be taken care of in Japan. We would like to be left to deal with such things as we wish.

In return for not complaining about matters inside Japan, Japan will in turn dole out money overseas. Of course, no one holds such brazen thoughts. Nevertheless, while this view may fall within the realm of the absurd, it is not entirely irrelevant.

**National Dignity Through Fairness**

There is, however, a difficult problem on this point. The current superpowers have been apt to view their own ideals as absolute, and to push them on other countries. Compared to this, the approach in which money is granted but no opinions are offered seems both humble and desirable.

For example, this approach can be found in the fact that Japan's economic assistance is "request-activated," that is, it is provided only in response to requests from the recipient country.

I think this reserve between two countries should basically be maintained in the future as well. In other points, the fact that Japan's assistance emphasizes efforts toward self-reliance is roote in Japan's own experience and so there are aspects which rather may be valued positively. For example, the fact that Japan places relatively more weight on development is because it is more important to gain the power to produce foodstuffs.

One can say that Japan's loan-centered assistance is an attempt to develop internationally financial investment, but it can also be said that it has the effect of stressing efficiency and responsibility. But Japan must behave prudently lest other nations suspect that its aim is the security of its own business profits.

It would be desirable for Japan to use its own resources more aggressively to make contributions in fields which involve not just bilateral, but worldwide supplies of public goods.

In areas such as the development of basic science and technology or protection of the global environment, there is much room for contributions by Japan, and it should take the lead in providing funds and personnel.

In so doing, Japan should avoid monopolizing research processes and results. Rather, it should fairly share opportunities to participate and utilize them.

This fairness is a precondition for boosting Japan's national dignity, and assuring it a position of respect in the international community.

This is not only the moral thing to do, but amidst an international environment characterized by violent changes, it is the most reliable diplomatic and economic policy.

## Post-Cold War International Situation Previewed

*OW0401203190 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 9—FOR OFFICIAL USE ONLY*

["Japanese Perspective" column article by Kazuo Nukazawa, managing director of Keidanren: "Back to Square One?"]

[Text] Last year began with the death of Emperor Showa and ended with the downfall of communist regimes in

most of Eastern Europe. Now, even the Soviet Union is not so sure whether it is a communist nation any more; foreign capital is now welcome, and a rapidly increasing number of private companies are openly learning the tricks of capitalism while the government knocks on the doors of international institutions upholding free trade and free enterprise systems such as GATT. Who knows, we may soon see the United Nations, which has so long been inoperative, functioning as it should.

The post-World War II ideal of a democratic management of global politics and the world economy, upon which these institutions were crafted, seems to be drawing nearer.

The two Germanys have started the long but certain road toward reunification. Europe will want to keep the united Germany within the context of the European Community and NATO in order to contain the national energy. Germany will perhaps still be treated as a ball that the four Allied Powers can play with, but the ball will keep growing. The center of Europe is shifting eastward and time will be on the side of a confident Germany. We do not yet know what its philosophy of global management will be, but that will come in time. A few more summers will help it to articulate its view, and it will become a counterweight for the postwar superpowers.

Japan will also face a new ball game. As the value of their military alliance gradually recedes, the United States and Japan will enter an arms-length relationship with each other.

Friendly ties will remain, but Japan will not be the automatic follower. Its conventional forces will grow though the size of its ground and air forces will continue to be smaller than its neighboring countries including the People's Republic of China, Taiwan, and North and South Korea, not to speak of the Soviet Union. Japan's Asian neighbors and the U.S. will want to keep Japan under some sort of bilateral or regional military arrangement.

Japan and West Germany share one important commonality, in that the rest of the world will want to keep them under a political leash. War memories last at least two generations, it seems. Also the leaders of the two countries themselves may want to place their security policy under international constraint to counter excessively nationalistic segments within their respective societies.

Is there any chance for a resurgence of fascism? Not likely. The conspicuous traits of a fascist society—the rejection of cultural relativism, the blind love of historical heritage and racial purity, a paranoiac zeal for cleanliness—do not exist anywhere.

The world has thus come back to its pre-World War II setting, minus German and Japanese militarism and with the Soviet Union turning to the market mechanism and political pluralism. One of the major differences between now and then is the establishment of the EC and the rise of former colonies.

The EC, with its many inefficient brothers and poor cousins inside and out, will not so smoothly be able to embrace the market mechanism in some segments of the market as the present EC Commission tends to portray it will. But there is no need for haste. Europe today is very confident that its voice will be heard. The only problem may possibly come from suffocation by bureaucracy.

The former colonies are graduating to donor status. South Korea, Singapore, Taiwan and Hong Kong are among economies which should have a greater role to play in international institutions. Many more such dynamic economies will emerge in Asia and elsewhere. We'd better be prepared to see a Seoul Round of GATT negotiations in the 1990s. Why not?

Since Europe will eventually be represented by one voice, as the U.S. is, Europe can gradually give up many of its seats in international institutions to new powers.

We will see the restoration of the United Nations to its former splendor, before it was outshined by the Group of Seven summits, OECD and other institutions due to the overuse by superpowers of the veto right.

People are becoming more afraid of the probable economic consequences of peace, namely economic stagnation and unemployment, and redundancies in production capacity. This year will see mounting support for the Global Infrastructure Fund, long advocated by Masaki Nakajima of the Mitsubishi Research Institute. The concept now lists 27 different projects on a global scale. Solid progress will be seen in the Japanese initiative for the construction for peace, replacing the past efforts of arms buildup.

### Editorial on Japan's Role in Post-Cold War Era

*OW1001070190 Tokyo THE DAILY YOMIURI in English 8 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[Editorial: "Challenges for Japan"]

[Text] At no time in memory have historical events burned so brightly. Unimaginable change follows change—socialism cracks and crumbles. Finally we wake to read newspapers heralding the end of the Cold War.

But what comes next? What sort of world will it be without two superpowers glaring at each other across a picket fence of nuclear missiles?

What we may see is a world in which antagonism and brush-fire battles between smaller nations intensify and international conflict is fueled not by ideology but by national interest.

Our new world will be filled with promise and danger. There are ever serious issues that must be solved including environmental destruction, starvation and drug abuse.

For Japan, the 1990s will be a decade of opportunity, yet a period in which we can expect many trial.

To meet these challenges, this country must learn to act independently, to carve out its own diplomatic policy.

**Independent and Responsible**

However, Japanese desires and expectations must at times give way for the common good of the international community.

Today, with the relative decline in the strength of the Soviet Union and the United States, Japan finds itself thrust into the role of a major power with all the concomitant responsibilities inherent in such a position.

Now, more than ever, Japan must deal calmly with any shifts in the international situation and behave with complete awareness of its global obligations.

In the past, our relations with the United States were taken for granted. Those days are over. Further complacency can only be deleterious and both nations must make great and continuing efforts to ensure that an amicable relationship is maintained.

Up to now, Japan has dealt almost exclusively with issues concerning relations with the United States and its Asian neighbors. It has not been forced to make any critical decisions regarding Europe. This situation will not continue in the coming decade.

Current moves moves toward the integration of West and East Europe are likely to lead to the birth of a "Greater Europe." If reunification of East and West Germany cannot be avoided, Central Europe will become a very influential area within a cohesive, much more powerful Europe.

**An Assurance of Aid**

Japan must play a significant diplomatic role as these changes unfold, both in Europe but also in the Asia-Pacific region. To this end, the existing trilateral relationship between Japan, West Europe and the United States must be reinforced while Japan also assists the process of democratization in East Europe.

In this sense, Prime Minister Toshiki Kaifu's state visit to Europe beginning Monday constitutes a starting point for Japan's new diplomacy.

The goals of the visit to West Germany, France, Britain, Italy and the headquarters of the European Community, as well as Poland and Hungary, are to reconfirm the unity of the West, and to give assurances of aid to East Europe.

The democratization of East Europe is linked to world peace and stability, including Asia's. Japan should not limit its aid to money. The nation also has the capacity to provide technological and business management expertise.

Moreover, Japan's contribution should go far beyond aid. Domestic reforms in Japan are unavoidable if the free market system is to survive. It is time for people to stop trying to protect existing privileges and interests, and for politicians to think of diplomacy in terms broader than simply how it will affect the next election at home.

## 1990 Foreign Policy To Focus on East-West Change

*OW0401194690 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 3—FOR OFFICIAL USE ONLY*

[Text] The focus of Japan's foreign policy in 1990 will be no how changes in East-West relations will lead to global stabilization, according to an annual report released by the Foreign Ministry on Sunday.

"The ongoing process of historic changes in East-West relations begun in 1989 will further advance in 1990," the report says.

In 1989, rapid and dramatic changes swept through Eastern Europe, and the United States and Soviet Union declared the opening of a new era of dialogue and cooperation.

Attention should be paid to how economic reforms in the Soviet Union and Eastern Europe, moves toward the possible reunification of East and West Germany, and the situation in Asia will lead to global stabilization, the report says.

It points out that behind the changes in East-West relations is a general decline in socialist ideology, as well as recognition of the superiority of democracy and market economies.

The Western policy of maintaining both "deterrence and dialogue" regarding the East, and the increased importance of economic, scientific and technological advances, are also responsible, the report says.

**European Integration**

It notes that amid rapid changes in Eastern Europe, plans are progressing for market integration in 1992 among the 12 European Community members.

The report warns, however, that the prospect for a new global order to replace the one created by World War II, as well as the potential for political and economic reforms in the Soviet Union and East European nations and for German reunification, remain uncertain.

The Soviet Union has made progress in implementing political reforms, but ethnic and economic troubles remain serious, the report says.

East European nations have yet to achieve stability in their politics and ailing economies, it says.

On Japanese-U.S. relations, the report predicts that as the U.S. still has huge deficits in budget and trade, domestic pressure will grow in 1990 for cuts in defense spending, a larger Japanese share of the common defense burden and further opening of Japanese markets.

On Asia, the report notes that diplomatic relations between China and the Soviet Union were normalized in May 1989 when Soviet President Mikhail Gorbachev visited Beijing for talks with Chinese leaders.

**Damaged relations**

But China's relations with the West, badly damaged by suppression of pro-democracy demonstrators in Tiananmen Square in June, have yet to be restored.

South Korea stepped up efforts to improve ties with Communist nations in 1989, while North Korea became further isolated from the international community, the report adds.

Referring to conflicts in Afghanistan, Cambodia, the Middle East, Central America and Angola, the report says regional factors have tended to obstruct settlement of ongoing conflicts.

On the global economy, it notes that while the world economy is in a state of expansion, such problems as inflationary pressures, trade imbalances, protectionism and the Third World debt remain.

The report stresses the importance of successfully completing the current Uruguay Round of world trade liberalization talks.

## Japanese, American, Soviet People Surveyed

*OW0401182190 Tokyo MAINICHI DAILY NEWS in English 1 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] Over half of the Soviets polled in a recent Mainichi Shimbun survey felt capitalism to be a better system than socialism, 64 percent of the Americans saw a threat in Japanese economic expansion, and both Japanese and Soviet pollees picked the United States as their favorite country.

The telephone survey was carried out simultaneously in Japan, the United States and the Soviet Union between Nov. 28 and Dec. 12 in an effort to gain a perspective on issues that touch the lives of the citizens of each country.

Over this period, NTT Telemarketing Co. surveyed a sample of 4,001 Japanese and 3,015 Americans, and the Soviet sociology academy's survey center surveyed a sample of 2,970 Soviets.

The surveys were done on nationwide bases discriminating neither on sex nor age. In Japan and in the United States the pollees were over 20 years old and in the Soviet Union they were at least 18 years old.

Otherwise, in the Soviet Union the survey covered opinions from 15 republics, 17 ethnic groups, party members and non-party members, and people who are members of the communist youth organization, Komsomol, and those who are not.

According to the results, Americans were most satisfied (92 percent) with their life style along with the Japanese (73 percent), while the Soviets were most dissatisfied with only 26 percent satisfied with their present life.

At the same time Americans showed the highest level of support for their government (72 percent) followed by the Soviets (60 percent) and the Japanese (41 percent), who displayed general disfavor toward the present administration.

From these two results it is interesting to note the support for the government despite a severe lack of excitement among Soviets over their life style, revealing the great onus placed on Gorbachev to succeed.

It is also a fact that 51 percent of the Soviets think capitalism is a superior system to socialism. The Soviets seem not only to be interested in political-economic systems but in pending issues, since 66 percent of the respondents knew there was a territorial dispute with Japan.

When asked on the topic of perestroyka, all three countries have confidence that Gorbachev will succeed. Americans top the list (58 percent) followed by the Soviets (46 percent) and then Japan (38 percent).

Yet the people with the least expectation are the Soviets, with 39 percent of them thinking it will not succeed.

Americans hope for its success while Japanese do not really know.

The countries polled generally agree on their favorite country, too. Both Japanese and the Soviets picked the United States as their favorite country. But Americans put Japan in third place and the Soviet Union in sixth place. Only 2 percent of the Americans polled listed Japan as their favorite country and only 1 percent of the Americans said they like the Soviet Union most.

When each country was asked which country they felt closer to of the remaining two countries, both the Japanese and the Soviets felt closer to Americans, and the Americans felt closer to the Japanese than the Soviets.

Combining the facts that Americans show the most support for their government, and are most satisfied with their life styles, it is peculiar that 64 percent of them feel threatened by the expansion of Japan's economy in the United States.

The Soviets actually feel twice as close to Americans (64 percent) as they do towards the Japanese (30 percent). But the Japanese feel even less close to the Soviets with only 3 percent responding in the affirmative.

The Soviets placed Japan in second place (10.9 percent) on the list of countries they liked, while both the Americans and the Japanese gave China low standing with tenth place (under 1 percent) and eighth place (2 percent) respectively.

On the hate list China again ranked high. The Japanese placed China as the second most hated country after the Soviet Union, and the Americans put China in fourth place. The racially and ethnically diverse countries of the United States and the Soviet Union showed a similar distaste for the nation of South Africa.

Socialist countries took the first three spots of the Japanese hate list with North Korea in third spot. Of the age groups hating the United States, Japanese in their 20s were the most with 6 percent.

For the Japanese Switzerland and Australia were ranked as their second and third favorite countries respectively. Presumably the nice environment and good life to be connected with these countries places them high in the eyes of the suffocating Japanese.

Splitting the American hate list up into age groups, Iran placed highest among 20-year-olds, while the Soviet Union topped the other age groups. The 30-, 40- and 50-year-old groups had about 2 percent of their respondents disliking Japan, while there was 4 percent from the 20- and 60-year-old groups. The 40-year-old group hated Vietnam twice as much as any other age group.

The Soviets seem to be well aware of their immediate history, remembering the war which brought grief to their country, as Afghanistan made it to the top of the most hated country list.

Asked about the possibility of a nuclear war in their lifetime, respondents from all three countries agreed the chances were slim. Less than 20 percent of the respondents from each country thought there was going to be such a disaster.

Regarding the question of whether Japan was contributing to the world or not, Japanese topped the group thinking that they were (61 percent) followed by the Soviets (55 percent) and the Americans (46 percent).

On the other hand, 21 percent of the Japanese do not think that Japan is contributing to peace and prosperity of the world. The Americans, though, had what most Japanese would think of as a surprisingly large protion (35 percent) of respondents who did not think that the Japanese were contributing to the world.

However, 46 percent of the Americans also thought Japan was a reliable partner even though 38 percent though they were not. Looking at the respondents by age, Americans over the age of 60 showed the most distrust in Japan's partnership.

The Japanese generally did not think the U.S.-Japan relationship would improve, while more than half of them felt the USSR-Japan relationship would.

Commenting on the Russian perception about capitalism, Prof. Michitoshi Takabatake of Rikkyo University said that it indicated the Soviets are seeking changes.

As to the American perception of the U.S.-Japan relationship, Liberal-Democratic Party Dietman Motoo Shiina said that apprehension about the Japanese is spreading to the citizens' level in the United States.

### Internationalization Said To Be Under Way

*OW0401153390 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 3—FOR OFFICIAL USE ONLY*

[Text] Tokyo Gov. Shunichi Suzuki feels that Japan is "less developed" in terms of internationalization.

Dai-Ichi Kangyo Bank President Kuniji Miyazaki, meanwhile, believes that the Japanese will be truly internationalized only when they no longer feel it necessary to use the word "internationalization."

These remarks were typical of responses given in a year-end survey conducted by The Japan Times.

Hiroshi Ohki, a former diplomat and now a Liberal-Democratic Party member in the Upper House, predicted that "it will take more than one generation to internationaize the mentality of the average Japanese."

Toshio Yamaguchi, an LDP member in the Lower House, said: "I think the average Japanese has a general understanding of the word. But since our nation is an island and has no ground borders with other countries, it will take time for us to gain a true understanding of it."

Historian Takayoshi Matsuo of Kyoto University noted that former Prime Minister Yasuhiro Nakasone may be partly responsible for sparking a new round of discussion in the country on internationalization.

Nakasone was active in helping the world to better understand Japanese culture, which enable Japan to play a greater role in the international community.

In the survey, Gov. Suzuki said there is no consensus among Japanese on the meaning of internationalization.

"Despite considerable progress in understanding the word itself, the rate of change surrounding internationalization is so rapid that (Japanese) may need some time to catch up in terms of specific actions and perceptions," he said.

"The basic approach to internationalization for the Japanese is to try to increase cultural exchanges so that both foreigners and Japanese can better understand each other's lifestyles, customs and values," Suzuki said.

The governor said he believes that internationalization will no longer be a part of his metropolitan government's policy when people can live on an equal basis regardless of their nationality, race or language.

"In this regard," Suzuki added, "Japan is still in the developing stage. Therefore, it is important to continue the efforts of the My Town Tokyo Program, designed to make Tokyo an international city where foreign people can feel good about living here."

### Daily Calls for Strong Political Leadership

*OW0301073390 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 18—FOR OFFICIAL USE ONLY*

[Editorial: "Leadership Is Urgently Needed"]

[Text] As the last decade of the 20th century dawns, the Japanese people are finding themselves politically unprepared for what will result from the dramatic changes in the world order of the past year. In 1989, the global pendulum sharply swung in favor of democracy and capitalism, putting an end to the Cold War, and this has worked toward reducing the comparative influence of the United States and the Soviet Union. That in turn has raised greater expectations among nations that Japan will play not only an economic role but also a political one in the coming process of reshaping world order. But the inertia of domestically oriented awareness still dominates the nation's politics too strongly to allow a political response to the changes outside.

In a poor contrast to the dynamic and promising political developments abroad in the past year, the Recruit stocks-for-favors scandal has smeared the ruling Liberal-Democratic Party (LDP) and its administration, and the LDP Government's introduction of a consumption tax, in defiance of public opposition and in a flagrant breach of its previous pledge, have drawn persistent public anger. Even more scandals followed as a prime minister's involvement in an extramarital affair was exposed and questionable political donations by the pachinko industry were disclosed.

What has resulted from all this is a deep distrust in politics, especially in the LDP and its administration. The party paid a painful price when it was trounced in Upper House elections in July. In the eyes of most voters, the electoral punishment apparently was not harsh enough to pardon the party. Public opinion polls since then have shown some recovery in the approval rating of the ruling party, but it is far from assuring the LDP of an overwhelming victory in a Lower House election expected in late February.

Also responsible for this are the LDP and its Government, which have made no convincing efforts to keep their pledge to carry out thorough political reforms and substantial revisions of the 3-percent Consumption Tax. This has raised strong skepticism that they are trying to buy time until people's awareness of corruptive money-power politics fades.

As things stand, many voters appear to be vacillating between two choices: Whether to temporarily forget their distrust in politics and retain the LDP in power or have the LDP learn another bitter lesson in a major election, even if the results lead to a drastic political reorganization.

The voters will have to choose one or the other in the House of Representatives elections in February. The coming elections, therefore, will probably amount to the most consequential political event this year. If the LDP loses its majority, as it did in the other chamber of the Diet in July, it would mean an end to the virtual single-party rule by the LDP, unbroken since the 1955 merger of conservative parties.

If the party succeeds in retaining its majority, it would be able to remain in power. Even in that case, however, the LDP will have to carry out a significant political reorganization, which may take the form of partnership with the middle-of-the-roaders (Komeito and the Democratic Socialist Party) or maybe a drastic restructuring, even incorporating the rightwingers in the Japan Socialist Party (JSP).

With an opposition alliance holding the majority in the Upper House, the LDP will have no choice but to ally itself with part of the opposition camp in order to attain any major policy goal. And we welcome this prospect. Even in a democracy, long years of rule by the same party makes it prone to corruption. This nation has had not a few dramatic instances to testify to this truth.

If the parties succeed in organizing into a workable alliance based on specific policy goals, not just for the sake of forming a majority group, that would greatly help reduce the role of intraparty factions and the corruptive relationships between politicians and businesses. This kind of political reorganization will be the only viable way of restoring the people's trust in the nation's politics.

Lacking firm public political trust, no party and no government would produce strong political leadership capable of confidently and astutely responding to the sweeping changes abroad. Japan's global economic commitments and its rising position of responsibility in the international community are urgently in need of such political leadership. In this sense, the nation's future will be at stake in the coming elections and the ensuing political decisions this year.

### Japan's International Role in 1990's Viewed

*OW0401231290 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 19—FOR OFFICIAL USE ONLY*

[Article by Toru Yano, professor of political science at Kyoto University and vice president of the National Institute for Research Advancement: "Can Japan Become a True Leading Power?—Its Prospects for the 1990s Are Not Necessarily All That Rosy"]

[Text] If we suppose there existed a grand symphonic poem entitled "The Twentieth Century," we can imagine the orchestra just beginning the finale, a magnificent

coda. The coda may sound triumphant and optimistic to most people's ears, but some people will hear notes of uncertainty and gloom beneath the surface.

The year 1989 was, ironically, a revolutionary year, in which the relics and glories of revolutions gone by began to crumble away. In the Soviet Union signs of liberalization began to emerge as President Mikhail Gorbachev pushed forward determinedly with the process of perestroyka. Holes began to appear in the Iron Curtain, and some East European countries, such as Poland and Hungary, even started shifting away from their socialist economies in favor of a market-oriented system.

As long as the Warsaw Pact and Comecon remain intact, however, we cannot speak of the demise of socialism. But one thing we can say for certain is that the integrating force of civilization, which transcends the logic of different social systems, has begun to show its strength.

By civilization, I mean a society that relies on the market mechanism and free elections under multiparty system, one that is led by abundant production supported by active consumption, and one that enjoys unrestrained intellectual and spiritual activity, with freedom of speech and publication guaranteed. The logic of civilization has clearly defeated the logic of socialist systems based on one-party rule by the Communists.

In Europe, the creation of a single European Community market in 1992 will lead to the resurrection of the region as a leader of civilization and eventually, perhaps, to the creation of a strong sphere of civilization covering the whole of the European continent, which has remained divided since the Russian Revolution in 1917.

To achieve this, Europe will have to overcome numerous problems lingering from the past. Most importantly, it will have to come to terms with the absoluteness of the sovereign state, which has dominated world relations since the 17th century. With the development of transportation and telecommunications systems and the growing interdependence of the world, this absoluteness is expected to lose its meaning. Indeed the logic of the world order is moving rapidly toward tearing down the framework of the state. As a result of the accumulation of new experiences, new international laws are gradually being drawn up.

**Environmental Destruction**

The Chernobyl nuclear plant disaster in the Soviet Union in 1986 was an eye-opening example, because it showed how pollution or environmental destruction in one country can threaten not only that country but the whole region surrounding it. Acid rain is another example. When China uses fossil fuels to promote its industrialization, acid rain is very likely to fall on Japan and other neighboring countries. To deal with such situations, we must hurry to establish new international rules that transcend nationalism and are fitting for an age of mutual interdependence.

We must also grapple with a new North-South problem, in which some socialist countries are included in the South. After all, the South consists not only of hot countries covered by tropical forests but all countries that suffer from the problems of development. The Asia-Pacific region tends to be glorified as having a brilliant future, but we must face the reality that the region includes many slowly developing countries, such as China, Vietnam, North Korea and Myanmar (formerly Burma). We should think of the regional economic bloc not as an association of rich countries alone but, on a higher level, in terms of a grouping that can contribute to solving the North-South problem.

Even more vital than these issues is the problem of how Europe, the United States and Japan—the three pillars of advanced civilization—can maintain cooperative relationships. Civilization has the ability to foster harmony, but it also harbors many factors that cause mutual friction. In the 1990s the world will probably be marked by friction among advanced countries in various fields, such as economics, science and technology, law and psychological matters. It is to be hoped that these countries will be able to continue judicious efforts to overcome this friction.

**Problems Facing Japan**

As far as Japan is concerned, the prospects for the 1990s are not necessarily rosy, for several reasons.

First, while the rest of the world is busy forming new regional blocks, it is impossible for Japan to integrate Asia into a bloc with itself at the core. Memories of Japan's past invasion of Asia remain deep-rooted in many countries, and the sheer existence of Japan serves as an impetus for nationalism in some nations. Japan can make inroads into Asia through trade and direct investment, but it is not in a position to realize the regional integration of Asia.

Given this situation, Japan will continue its strategy of integrating its economy with those of the United States and Western Europe by boosting its direct investment in those regions, but this will probably serve to exacerbate economic friction. In this sense, the 1990s will be a decade of trial for Japan.

Second, the factors behind Japan's "strength" will be brought into question. Because Japan did not maintain military forces or military industries after World War II, it was able to devote its excellent technologies and human resources to civilian industries. As a result, it has managed to sweep the world's markets for such products as automobiles, household electric appliances and semiconductors. Japan took a free ride, reaping the benefits of the mutual interdependence of East and West brought about by the Cold War.

The international competitiveness of Japanese products, however, could well reach a peak around 1995 and then gradually decline. An integrated EC will be able to freely combine the comparative advantages of each country in

the region. The United States, if it reaches disarmament agreements with the Soviet Union, will be able to carry out an industrial restructuring and revitalize its civilian industries. If this happens, Japan will be placed in a relatively disadvantageous position.

The main factor behind Japan's present strength is its highly efficient, mainly private-sector, investment in research and development. Most of this investment, however, is directed toward application. Japan lags behind other countries in the area of basic R&D in advanced science and technology. This is going to become a demerit in the future.

**Waiting With Bamboo Spears**

Third the exclusiveness that is so characteristic of Japan will become a negative factor in the 1990s. The mentality of Japanese farmers—waiting on the beach with bamboo spears for the enemy to arrive—is no different from that of Japanese during the war. Though they are loaded with money, Japan's agricultural organizations do not think of marking direct investments in other countries, nor do they have the confidence to allow farm products to be imported.

Similarly, the barrier against foreigners working in Japan is thicker than the Berlin Wall. If this barrier remains, wage levels in Japan will climb higher and, consequently, the international competitiveness of Japanese products will wane. It must be one of the seven wonders of the world in the 20th century that the Japanese can still believe they can manage the economy for the Japanese only and by the Japanese only using only domestic capital and technology.

Fourth, and last, Japan's most crucial weak point is the backwardness of its politics. Through the Recruit influence-peddling scandal and other such events, Japan showed the world in the 1980s how inept its politics is.

With the curtain having come down on the age of different political systems and ideologies, countries in both East and West are entering a period in which they will share the universal values of democracy and social justice. So instead of ideology, they will have to compete on the basis of the quality of their politics.

For example, if the United States keeps banging its fist on the table with extreme views, however agreeable and comprehensible they are to the American people, it will fall out of step with the general drift of world politics. And Japan's anachronistic politics, which passes muster only in Japan, will lead to its international isolation. When the advanced countries of the world, including former socialist countries, begin to compete in the same ring over the quality of their politics, Japan almost certainly will find itself lagging.

Over the next three or four years the world will focus much attention on how Japan sets about conquering these handicaps and turning itself into one of the leading powers of the civilized world. We do not have much time.

## YOMIURI Previews Economic Trends in 90's

*OW0701121590 Tokyo THE DAILY YOMIURI in English 6 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[YOMIURI SHIMBUN 4 January editorial: "New Economic Trends"]

[Text] Three new trends will have great influence on the world economy in the decade of the 1990s and if properly understood and dealt with could lead to even greater economic expansion than in the last decade.

The first is the influence of East-West detente, which will result in reductions of defense spending and a better utilization of national resources. This could help the United States regain its economic vigor and revive the Soviet economy. But there is the danger of intensification of trade wars.

Also, "borders" are disappearing. This will accelerate the flow of trade, capital and technology among countries. The market economy of capitalist countries will likely permeate socialist nations. But considering the political and social penuliarities of individual countries, nationalism and protectionism are unlikely to weaken.

Finally, the trend toward regionalism is on the rise with Europe, including Eastern Europe, the United States and Canada and the Japan-centered Asia-Pacific region forming into trading blocs. This is likely to accelerate exclusionism.

Trade imbalances may become a political issue and how to correct them may become a more important question than the disarmament problem.

**Market Economy**

The centralized, planned economies in Eastern Europe have suffered a historic defeat, and socialist countries are turning toward the market economy system of the West. Western nations with free economies must upgrade the market mechanism by deregulating domestic industries and promoting trade liberalization. But it should be kept in mind that the market mechanism cannot solve all problems and has created problems of its own.

One of the least desirable by-products of the market economy is the speculative-oriented economy. To prevent surplus money from disturbing foreign currency, stock and bond markets, we must become more adept at crisis management through international coordination.

New technology and tougher regulations are needed to protect the environment, which has been damaged by the market economy.

What should Japan do in this complicated situation?

Japan needs to improve its relations with the United States, which feels more and more threatened by this country as the Soviet Union becomes less dangerous. In the United States, the popularly accepted doctrine that advocates containing Japan with its peculiar systems and behaviors is prevalent while the containment policy toward the Soviet Union is slowly being abandoned.

**Japanese Model**

However, Japan and the United States share much in common, including democracy and the free market economy. To overcome misunderstandings with Washington, Japan should strengthen joint efforts with the United States to support democratic and economic reforms in socialist countries in Asia, such as China, North Korea and Vietnam.

If Europe can be described as a "common home," the Asia-Pacific area is characterized by its diversity. Nevertheless, socialist and capitalist countries should live in harmony in the region.

Some socialist countries are trying hard to change their economies, which have been based on centralized planning. Some of these countries are keenly interested in how Japan rid itself of an economy rigidly controlled by the government and adopted the market economy after World War II.

But despite this interest, there is growing antagonism in the world toward Japan's massive exports of both industrial goods and capital. Japan's successes and failures in development of its postwar economy provide lessons for socialist and developing countries. Japan is now expectd to make positive contributions to the world and provide an answer to global criticism against the chaotic expansion of its exports and money.

## Country's Economic Prospects in 1990's Viewed

*OW0901012390 Tokyo THE DAILY YOMIURI in English 7 Jan 90 p 1—FOR OFFICIAL USE ONLY*

["Economic Forum" article by Yoshio Matsui, YOMIURI SHIMBUN economic editor: "Clouds on the Economic Horizon in 1990"]

[Text] The Jan. 3 issue of the YOMIURI SHIMBUN carried an article titled "Prospects for the Japanese Economy in 1990," which featured interviews with 30 Japanese corporate chiefs. All of them forecast that the actual economic growth for this year would be 4.0 to 4.5 percent.

Today the Japanese economy has stabilized, with capital investment and individual consumption holding steady. Therefore, it came as no surprise when these business leaders predicted that the current economic expansion will last longer than the previous record of 57 months, the boom that ended July 1970.

However, things have changed since last January when major economic indicators showed a clear upward trend. Soothsayers now say that the economy is maturing, and will not expand dramatically this year. In other words, the current economic expansion lacks strength, and major economic indicators may turn downward depending on conditions.

Inflationary worries are the prime factor threatening the current business expansion. At present, manpower shortages and wage increases have been gradually but steadily progressing. With crude oil prices increasing as we enter the new year, fears of inflation are growing. For example, recently the price of North Sea crude oil topped $20 a barrel and oil from the Middle East reached $19 per barrel.

If this situation remains unchanged, these high crude oil prices may work to devalue the yen in Japan.

It is also rather unlikely that the United States will cut its official discount rate, despite predictions to the contrary last month.

Thus, the yen's value may not rise, expectations of the Japanese government, the Bank of Japan and manufacturers notwithstanding. Economists say that the yen will fluctuate between Y140 to Y145 against the dollar for the time being. Since Japan imports the vast majority of its raw materials, a depreciation in the yen would be a significant factor inflationary pressures.

However, many of the corporate executives surveyed say they believe that in the long run the yen will appreciate against the dollar. Because of this, they say they are not raising the prices of manufactured goods, although production cost have risen.

But, if they become convinced that the yen will continue to depreciate against the dollar, it is possible these manufacturers will raise prices. Prior to this, the Bank of Japan may raise the official discount rate, a move that could put the brakes on the current business expansion.

Prices soared on the New York Stock Exchange and dropped on the Tokyo Stock Exchange immediately after the markets opened following the New Year holidays. Investors at the markets may have sensed such a scenario.

The other worry is that the current political chaos in this country will be aggravated after the general election of the House of Representatives expected in February.

It the Liberal Democratic Party fails to maintain a majority in the lower house of the Diet, the future of the fiscal 1990 budget and the consumption tax will be in jeopardy.

## Domestic Affairs

### Paper Polls Company Heads on Political Outlook

*OW0701013590 Tokyo MAINICHI DAILY NEWS in English 4 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Text] Forty of the chairmen or presidents of Japan's 100 leading companies would like to see a government formed by a coalition of the Liberal-Democratic Party (LDP) and opposition parties, according to a MAINICHI survey conducted in December.

The poll also found that more than 80 respondents do not think that the Japan Socialist party (JSP) is capable of assuming power due to its policies on such basic political issues as foreign policy and defense.

The respondents were asked to make predictions on the future course of Japan in the light of the major changes that have taken place recently at home and abroad. These include the political turnaround in the House of Councillors election last July, the dramatic changes in Eastern Europe and the historic improvement in relations between the Soviet Union and the United States.

One in three expressed the hope that the LDP will form a coalition government with the Komeito and Democratic Socialist parties.

Of the more than half of the respondents who support the LDP government, moreover, two out of three said they expect Japanese politics to develop into a struggle for power between two major political parties.

The desire for a realignment of political forces in Japanese politics, as expressed by such leading figures in the Japanese economy, looks certain to have an important effect on the political situation after the general election due to be held in February, according to analysts.

A total of 55 chairmen or presidents said they hope that the LDP will retain its exclusive hold on political power, while 32 said they would like to see a coalition government with the LDP at its center.

Of the remainder, two respondents said they would like to see a coalition government made up of conservative a pro-reform elements in the LPD and the JSP. One respondent was in favor of a coalition of the four opposition parties while 10 were for alternative forms of government.

None of the respondents said they were in favor of a JSP government or a coalition of the JSP and the Japanese Communist Party.

Of the 10 who favored alternative forms of government, six said they would like to see a government formed by a coalition of conservative parties raising the total number of respondents in favor of some kind of coalition with the LDP to 40.

Those who said that they supported an LDP-centered coalition explained that they based their support on what they see as the necessity of cooperation with the opposition to ensure political stability in the wake of the political turnaround in the Upper House last July.

In connection with this, 64 of the respondents said they hoped that Japanese politics would develop into a two major party system on the U.S. and West European model. [as published]

Concern was expressed, however, that such a two-party system would lead to too much confusion at the time of a change of government. As a result 68 respondents said that they thought the U.S. two-party system was preferable, while only 20 opted for the West European model.

Further questioning revealed that the kind of two-party system generally envisaged would not include two parties with radically different policies, such as is the case at present with the LDP and JSP, but rather two parties with generally similar policies such as the LDP and other middle-of-the-road parties, even including some of the more conservative elements in the JSP. In other words two parties that would be equally capable of actually governing.

Most of the respondents, however, see the development of a two-party system as a long-term objective, and regard the current moves to reorganize the internal structure of the LDP as unrealistic and premature.

Severe criticisms of the JSP as a party incapable of assuming power included the fact that the policies of the JSP are unrealistic, that it lacks enough capable politicians and that the conflicts between the left and right wings of the party have left it in a confused state.

Even the JSP's much vaunted introduction of policies widely regarded as more realistic was dismissed as being merely camouflage aimed at winning the general election. Many respondents warned that people should not be taken in by it.

On the other hand, 16 chairmen or presidents said that they fought the ongoing discussions between business leaders and heads of the opposition parties, which began shortly after the Upper House elections, should by all means continue, while 67 said they were in favor of the discussions continuing on an informal basis.

On the international front, when asked about the future development of relations between Japan and the United States, 79 presidents think that the two countries are in a critical situation or that the two countries could be headed for a crisis if the current situation continues.

Many of the respondents were in agreement that a crisis situation can only be avoided if domestic consumption within Japan increases and the twin deficits of the U.S. are eradicated.

Respondents were generally also pessimistic about the chances of success for perestroyka in the Soviet Union, with far more saying that it will be extremely difficult for it to succeed than those who expressed confidence in it.

Asked about the single European market due in 1992, most of the respondents were optimistic saying that the market will expand as a result of the dropping of trade barriers, but on the other hand some concern was expressed about the continuing world trend toward powerful political and economic blocs.

The chairmen or presidents who responded to the MAINICHI survey included Yoshimasa Umemoto of Takeda chemical, Minoru Onishi of Fuji Film, Hiroshi Saito of Nippon Steel, Tadahiro Sekimoto of Nippon Electric Company, Akio Tanii of Matsushita Electric Industrial, Norio Oga of Sony, Yutaka Kume of Nissan Motors, Satoshi Okubo of Honda Motors, Ryuzaburo Kaku of Canon, Tadashi Ito of Sumitomo Corp., Yohei Mimura of Mitsubishi Corp., Yoshiaki Itakura of Mitsukoshi, Isao Nakauchi of Daiei, Kuniji Miyazaki of Dai-Ichi Kangyo Bank, Yusuke Kashiwagi of the Bank of Tokyo, Kazuo Ibuki of Mitsubishi Bank, Taizo Hashida of Fuji Bank, Sotoo Tatsumi of Sumitomo Bank, Hiroshi Watanabe of Sanwa Bank, Yoshihisa Tabuchi of Nomura Securities, Hauro Takeda of Tokyo Marine and Fire Insurance, Hajime Tsuboi of Mitsui Real Estate Development, Kimio Miyaoka of Nippon Yusen, Susumu Yamaji of Japan Airlines, Hiroo Yamaguchi of Nippon Telegraph and Telephone Corp, and Sho Nasu of Tokyo Electric Power.

### Article Assesses Prospects in Upcoming Elections

*OW0801020790 Tokyo ASAHI EVENING NEWS in English 6 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[Unattributed "Political Spectrum" column article: "Counting Chickens Before Election"]

[Text] The revolutions in Eastern Europe are certain to have a major impact on next month's lower house election. The question is how they will affect the fortunes of the competing parties.

Three opposition parties, the Japan Social Party, the Clean Government Party (Komeito), and the Democratic Socialist Party, feel that the Japan Communist Party will be most adversely affected. In fact, the reelection prospects do not look too secure even for top JCP officials, such as Chairman Tetsuzo Fuwa and Secretary-General Mitsuhiro Kaneko.

The ruling Liberal-Democratic Party intends to make the coming election a contest of liberalism versus socialism. Contending that the Eastern European revolutions have proved the superiority of liberalism over socialism, it will ask voters to choose between political stability—that is, keeping the party in power—and an "unstable" opposition coalition government.

Nevertheless, the LDP's electoral target is modest, a bare majority of 257 seats in the 512-seat lower house, including conservative independents who will join the party after getting elected, according to Secretary-General Ichiro Ozawa.

The prevailing view within the party is that the "tail wind" for the JSP—generated by a combination of the consumption tax, the Recruit stocks-for-influence scandal, and the government's farm policy in the case of last July's upper house election—is continuing. The LDP plan to amend the consumption tax lacks a strong appeal to voters as it has drawn complaints that it is difficult for ordinary people to understand.

Another reason for the modest target is that in the five lower house elections since 1976, excluding two which took place as part of double Diet elections, the LDP failed to win a simple majority with its official candidates alone. In addition, the party unsuccessfully tried the "liberalism vs. socialism" strategy in the last upper house poll.

A total of 440 LDP members and other conservatives are planning to run. The party leadership intends to hold down official LDP candidates to about 320, centering on incumbents.

The JSP hopes to boost its strength to nearly 140 seats in the forthcoming election, compared with an all-time low of 85 seats in the last lower house poll in 1986. JSP officials say this is possible if the party does well in the constituencies where it is putting up two candidates each.

The No. 1 opposition party won 140 seats in 1967. The original JSP target was 112 seats, the number it gained in the election before last in 1983. "Considering the expectations the people showed for our party in the last upper house election, we can't treat 112 or so seats as a victory," says a senior official of the JSP Election Affairs Committee.

The JSP says that the upheavals in Eastern Europe teach lessons for the LDP's long single-handed rule. Not expecting to be adversely affected by those developments in the least, the party thinks that the U.S.-Soviet accord on opening a new age of disarmament and peace at their Malta summit talks provides a golden opportunity to sell the public on this longstanding policy of defending the postwar "peace" Constitution.

"The outcome of the Malta summit proved our foresight in fighting for peace," says Chairwoman Takako Doi.

Komeito's target is to keep the 55 seats it now holds. The No.2 opposition party will put up 58 official candidates, a decrease of three from the last election in 1986.

While criticizing the LDP's long one-party rule, Komeito views the turmoil in Eastern Europe as signifying the bankruptcy of marxism-Leninism. In the election campaign, it plans to assert that now is an age of centrist politics.

The very existence of the Democratic Socialist Party is at stake in the coming election after its disastruous defeat in the last upper house election. Only two or three of the 44 official DSP candidates are assured of getting elected,

and more than 30 others are borderline cases, according to Tetsuya Tabuchi, chairman of the party's Election Affairs Committee.

The official DSP target is 40 seats, the number the party held when it was formed in 1960. But Chairman Eiichi Nagasue says, "I think we can claim a victory if we top the 26 seats we gained in 1986."

## Columnist Says LDP Likely To Face Rough Election

*OW1101040190 Tokyo ASAHI EVENING NEWS in English 9 Jan 90 p 6—FOR OFFICIAL USE ONLY*

["Point of View" column by Hiroshi Sano, ASAHI SHIMBUN associate political editor: "Changing Japanese Politics"]

[Text] The year 1990 for Japanese politics will start with dissolution of the Lower House, followed by a general election. The planned new year calendar for Diet business includes the resumption of the Diet session around Jan. 22 and the announcement on Feb. 3 of the schedule for the next general election, for which voting is to take place on Feb. 18. Prospective election candidates, numbering some 850, have been busily canvassing their home constituencies on this holiday season. Referred to as the "Consumption Tax" election, the election will be the first national poll in nearly three and a half years since the last double election of the Upper and Lower Houses in July 1986. It would be useful to analyze various aspects of this event, as well as give predictions for the possible outcome.

In the wake of its crushing defeat in the 1989 summer election, the Liberal-Democratic Party [LDP] is being forced to contend in the next race with its back against the wall. In the 1986 election the LDP scored a landslide victory by garnering more than 300 seats, and the outcome was touted by former Prime Minister Yasuhiro Nakasone as the 1986 Order. But now the party appears to be entering the fray to fight a losing battle. Prime Minister Toshiki Kaifu and LDP Secretary General Ichiro Ozawa will be able to demonstrate their ability by way of keeping the inevitable loss of seats small.

The defeat of the LDP can be deduced from various facts. The primary cause for the party's 1986 victory was its successful election strategy of disorganizing the uniform front of the opposition parties. An opposition alliance, comprising the Japan Socialist, [JSP], Clean Government (Komeito), Democratic Socialist [DSP] and United Social Democratic parties, can serve as the strongest offensive against the LDP. However, this tactic cannot effectively be used in a double election. The LDP successfully attacked the unguarded front of the opposition camp twice, in the 1980 and 1986 double elections. On the other hand, in every Lower House election in 1976, 1979, and 1983, the LDP suffered losses that almost deprived it of a simple majority in the chamber.

### Unfavorable Reactions

It is not only the election strategy, but also voter reactions that are unfavorable for the LDP in this election. The displeasure and resentment expressed by voters against the consumption tax remain as strong as ever. Even business enterprises that have extended continuous support to the LDP are split in the pros and cons in arguments over the new tax. Farmers, who have traditionally constituted the largest group of vote providers for the LDP, are showing strong irritation over recent farm policies represented by the liberalization of part of the nation's agricultural market and the reduction in rice paddy field acreage, which have been implemented over their pleas against them. The Recruit scandal shed light on the nation's corrupt politics and is still dogging the image of the ruling party.

Opposition parties, however, have not been able to score any effective political shots, although they are enjoying a favorable atmosphere, brought on by the impetus achieved by the reversal of the power balance between the conservative and the opposition as a result of the Upper House election in summer 1989. An added further impetus was the emergence of a new opposition support base, the super union "new" Rengo (the Japanese Trade Union Confederation), with an estimated record 8 million members, resulting from the reorganization of the nation's major labor union groups.

Among the opposition parties, however, both the Komeito and DSP have failed to pick up momentum because their reputations were also smeared by the implication of some of their members in the Recruit scandal. In the next election, they will exert every effort to restore lost support.

The No. 1 opposition JSP has been able to maintain strong support thanks to the unfaltering popularity of its Chairwoman Takako Doi. Nevertheless, it has been struggling to soften its image as a hard-core socialist party. The party has been under fire for its obsolete policy line on such matters as nuclear power generation, the Korean issue, and the security and defense arrangements. The JSP's first official mission to South Korea, led by Secretary General Tsuruo Yamaguchi in December last year was the first concrete effort to move toward establishing a new party image. In the upcoming election, the party is planning to wage aggressive campaigns, including a new tactic of fielding more than one candidate in selected electorates. But the existing intra-party confrontation between the forces of right and left are one of the potential threats to induce a negative impact on the next race.

### Rough Going for LDP

Some veteran Liberal-Democrats predicted that the combined number of seats clinched by the LDP and conservative independents in the next election would reach the 260 level. Most members assume that the party would be able to retain a simple majority in the 512-seat Lower House. In reality, however, it may not be that

easy. Even if the party could gain a majority, it would face rough going after the election, as the other Diet chamber is dominated by the opposition. LDP fears can be easily detected in some remarks suggesting possible alliance of the LDP with part of the opposition forces. One such proposal is "the partial alliance," advocated by former Prime Minister Noboru Takeshita and Shin Kanemaru, leader of the Takeshita faction, the LDP's largest.

There are also some other aspects that will characterize the next election. First, it will be an election in which the younger generation will replace the old. Given 62 legislators retiring at the end of the current term, and 17 others who have died or resigned, the next election will bring about an unusually large-scale changing of the guard. Many of those who will resign are party elders who played at center stage in the diet during 1970's and 80's. They include former Prime Ministers Kakuei Tanaka, Takeo Fukuda and Zenko Suzuki, a former house speaker, and former opposition leaders, including Masashi Ishibashi. The next election comes at a crucial juncture in the nation's political history. Replacing those veterans are mostly their sons and grandsons. The reaction by votes to such a "hereditary custom," which is, in fact, a particularly Japanese style, remains to be seen.

Will woman's power spur election campaigns as happened last summer? To what extent can the JSP expand its support in the continuing "JSP boom"? Or, can new conservative groups, formed by LDP members who have bolted the party, win substantial support? the upcoming election holds many potential surprises. Among them may be the verdict of the people on the consumption tax. Voters will go to polls to choose one of two plans, to review the system or to abolish it. The impact of the election on the nation's economy and the people's daily lives will be bigger than any other election in recent years.

### Column Views Upcoming Lower House Election

*OW0401192390 Tokyo THE DAILY YOMIURI in English 1 Jan 90 p 1—FOR OFFICIAL USE ONLY*

["Political Pulse" column article by Raisuke Honda, YOMIURI SHIMBUN political editor: "Future of LDP Depends on Feb. Election"]

[Text] As the curtain rises on the 1990s, the main focus in national politics will be the general election expected on Feb. 18, in which the Liberal Democratic Party will try to maintain its 34-year hold on the reins of government.

In the election, the Japan Socialist Party and other opposition parties, which obtained a majority in the House of Councillors last year, will have a rare opportunity to rise to power by winning the House of Representatives election.

However, it is not very likely that an "opposition government"—an anti-LDP or non-LDP government led by JSP Chairman Takako Doi as prime minister—will come into being. If it did, Japanese politics would be steered in a direction that it has never gone before.

Depending on whether the LDP wins or loses the upcoming election, the following political scenarios are conceivable.

The first possibility is that the LDP will secure a stable majority of 270 seats or more in the 512-seat lower house.

The LDP will then retain power, Prime Minister Toshiki Kaifu will keep his post, and there will be no major change in the political structure of Japan. Lacking a majority in the upper house, the ruling party will continue to ask the middle-of-the-road opposition parties—Komeito and the Democratic Socialist Party—for their cooperation on each of its policy measures.

The second scenario would be if the LDP barely maintains a simple majority of 257 or obtains slightly more than 260 seats. In this case, the LDP will desperately seek close ties with Komeito and the DSP. These parties will then be forced to choose between two alternatives—joining forces with the JSP to oppose the LDP or cooperating with the LDP. Most likely, they will decided to side with the LDP. In this situation, it is not certain whether the Kaifu administration would continue.

A third situation would come about if the LDP fails to maintain the simple majority of 257 even after conservative candidates elected as Independents have joined the party. In this scenario, the opposition parties would naturally demand that the LDP yield its government to them. Some LDP members would agree that the party must yield in accordance with constitutional politics.

But LDP leaders would maneuver for a coalition government with Komeito and the DSP. The DSP would probably go along with the LDP while Komeito would probably hesitate at first but eventually agree to cooperate with the LDP. If this happened, a coalition government of conservatives and middle-of-the-roaders would be established. It is difficult to predict who would then become prime minister.

The fourth scenario would be if the LDP wins fewer than 240 seats in the lower house. If this happened, both Komeito and the DSP would have no reason to link up with the LDP and would join in the formation of the Doi administration. Japan would then adopt policies completely different from the past in all major issues, including diplomacy, security, energy and economics.

Of the four possibilities, the second one seems most likely.

Although the movements toward democracy and freedom sweeping the Soviet Union and East Europe should prove favorable for the LDP, the party is still suffering from the implementation of the 3 percent consumption tax. The plan for revising the tax is also unpopular because of its complexity.

It is therefore expected that the general election will result in a considerable decrease in the number of seats the LDP holds in the lower house and that the party will narrowly escape losing its majority.

### Editorial Cites LDP's Political Tactics

*OW1201024690 Tokyo ASAHI EVENING NEWS in English 10 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[ASAHI SHIMBUN 10 January editorial: "More Political Chicanery"]

[Text] It is reported that the date of the dissolution of the Diet is still pending even though the date for the subsequent general election has been fixed.

The Diet is reportedly to be dissolved sometime between Jan. 22 and Jan. 26. Some may doubt the importance of when the Diet is dissolved as there is only a few days difference involved. But we think the difference is too significant a problem to be overlooked in the context of current politics.

The problem of the date of the Diet dissolution surfaced primarily because Prime Minister Toshiki Kaifu, before leaving for Europe, said that "political parties should clarify their policies" before the Diet is dissolved. This clearly put him at odds with Ichiro Ozawa, secretary general of the Liberal-Democratic Party (LDP), and other LDP leaders who want to dissolve the Diet immediately after it reconvenes from the year-end and New Year's recess.

Kaifu's statement might have been born out of frustration and intended as retribution for Ozawa and other leaders of the LDP's Takeshita faction having virtually decided the date of the general election. But the prime minister's assertion that the political parties should make their policies clear before asking for the people's verdict is a reasonable argument. Kaifu's wish is only natural.

Since last April we have repeatedly called for an early dissolution of the Diet. We continue to stand by our position.

But the LDP had done all it could to postpone the dissolution in their own partisan interest. We consider that it will be better if the government and opposition parties laid bare their positions to the voting public.

Koshiro Ishida, chairman of the Clean Government Party (Komeito), said: "It would be strange if the prime minister made an administrative policy speech when the Diet is to be dissolved." But it would be more unnatural if the Diet, which was convened for an ordinary session at the end of last year, is dissolved without any discussion whatsoever.

A precedent was set in the 1963 fall extraordinary session when the Diet was dissolved after representatives of parties addressed interpellations in the House of Councillors as well as chairman Jotaro Kawakami of the Japan Socialist Party and Suehiro Nishio of the democratic Socialist Party in the House of Representatives in response to a general policy speech by Prime Minister Hayato Ikeda. If we are freed from too stereotyped a view of an administrative policy speech, will it not be a means of clarifying what the government party intends to make issues of before the general election?

LDP leaders want to dissolve the Lower House immediately after the Diet reconvenes reportedly because the trial of politicians indicted in the Recruit scandal will open Jan. 25. It is also said that LDP hierarchy is wary of questions being posed in the Diet on allegations of a new stock-dealing scandal involving a close associate of former Prime Minister Yasuhiro Nakasone. It seems that the party is also giving consideration to Komeito's wishes for an early dissolution.

If the Lower House is dissolved, defendants in the Recruit trial who are candidates in the general election can refuse to appear in court until after the election. Some LDP and Komieto members want to delay the court appearances of former Chief Cabinet Secretary Takao Fujinami, former Vice Education Minister Kunio Takaishi and former Komeito politician Katsuya Ikeda.

Acting only with partisan interests in mind and taking the position that ethics in politics is a secondary consideration cannot be commended. Settlement of the Recruit scandal in the political arena is one of the major tasks to be accomplished in the next general election. If an early dissolution is attempted involving obvious trickery, voters will see it as a cover-up of the Recruit scandal.

Some Komeito members reportedly believe that interpellations in the Diet will give an advantage to the Japan Socialist Party. In a normal Diet session that includes discussion in both the Upper and Lower Houses, Socialist interpellators would outnumber those of the Komeito. Since this is a session before a general election, some way must be found so that every party can express its views effectively.

Kaifu and some members of the LDP seem to hope that the supplementary budget will be approved before the Lower House is dissolved. This might happen if the ruling and opposition parties agree to do so, but we are afraid that a detailed discussion will not take place. Fortunately, because there is not much in the budget that needs urgent approval, passage of the supplementary budget can be delayed until the election is over.

The coming election is an important opportunity for Japan to set its course in the 1990's under the backdrop of turbulent situations both at home and abroad.

It is most important that the Diet be dissolved for a general election in a reasonable way. We hope both the ruling and opposition parties will desist from engaging in petty trickery designed to advance their partisan interests.

## LDP General Secretary Speaks on Election

*OW0801052990 Tokyo YOMIURI SHIMBUN in Japanese 3 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Interview with Liberal Democratic Party (LDP) General Secretary Ichiro Ozawa by unidentified interviewer from serial interviews entitled "Interviews with Top Leaders of Various Parties—the Political Showdown in 1990"; place, date not given]

[Text] [YOMIURI SHIMBUN] What is your prediction of the road Japan will follow in the 1990s?

[Ozawa] From the perspective of the international situation, I foresee the next 10 years as a very tough decade for Japan. The liberalization in East Europe and the Soviet Union, and the United States' shaking hands with the Soviet Union—these events, of course, should be welcomed. But from Japan's standpoint, we cannot necessarily be happy. Japan will come under increasingly harsh criticism. Hence, it will become essential that Japan solidifies its ties and cooperation with the nations in its region, such as China and members of the Association of Southeast Asian Nations (ASEAN), while keeping the axis of the Japan-U.S. relationship intact.

[YOMIURI SHIMBUN] How do you plan to deal with strained Japan-U.S. relations?

[Ozawa] We must come up with appropriate replies to questions relating to the United States, regardless of whether they concern trade, aid to other nations, or security.

[YOMIURI SHIMBUN] What about relations with the Soviet Union?

[Ozawa] CPSU Politburo member Yakovlev once said to the effect: "Chairman Gorbachev is striking out, reforming the economy and politics. If Japan insists on sticking to a rigid stand, what purpose will it serve?" I think we should talk about extensive areas of interest, together with the question of the territories. That may be the "third way." Even on the question of the territories, I think the Soviet Union has arrived at a certain decision.

[YOMIURI SHIMBUN] At the general elections, how will the LDP appeal to the people?

[Ozawa] Following the failure to retain a majority in the House of Councillors election, the party's possible loss of power in government has been talked about. But the LDP's failure to muster a majority in the general elections will no doubt mean a coalition of the Japan Socialist Party [JSP], the Komei Party, and the Democratic Socialist Party [DSP], since there is no possibility of a coalition being formed between the LDP and the JSP, or one between the LDP, the Komei Party, and the DSP. This situation consequently will force the voters to choose between the two: a senseless coalition comprising the JSP, the Komei Party, and the DSP, or a political system retaining the LDP in its center. I think that will be the major point at issue. Do you think it possible that the JSP, the Komei Party, and the DSP could steer Japan in the 1990s, which will be the toughest of all decades? After all, there is no choice but for the LDP to lead the way, and that is what we are saying to the voters—to make that choice.

[YOMIURI SHIMBUN] What is the number of seats you are shooting for?

[Ozawa] The target is to exceed a majority, if even by only one seat. After that, the more the better. The minimum target is for the groups of the LDP to secure together a majority in the House of Representatives.

[YOMIURI SHIMBUN] Even when a majority is mustered, cooperation with other political parties will be inevitable.

[Ozawa] Ruling and opposition parties should focus on the 1990s and hold serious and responsible dialogue to discuss how the politics of Japan should be, rather than to haggle over a bargain. Hence it is not appropriate to talk about a coalition or an alliance before the elections. I think opposition parties also understand this; it is also a matter of what move we should make under the present conditions and in the course of future developments.

[YOMIURI SHIMBUN] If the party succeeds in mustering a majority, will that mean the Kaifu government will hold onto power?

[Ozawa] A government falls only when it loses in an election or when its policies fail. There can be only these two reasons. If the party musters a majority, it means its cabinet has will have won a vote of confidence. It should be only natural that Prime Minister Kaifu continues to run the government.

[YOMIURI SHIMBUN] How are you going to deal with the decision on settling the Recruit scandal by asking those dietmen involved in the incident to resign from party executive posts? Another issue is former Prime Minister Nakasone's rejoining the party.

[Ozawa] In abiding by the decision, I think the general election will be a good time to put an end to the issue. Since the selection of politicians is based on the judgment of eligible voters, we can say that the election will put an end to the incident. Each individual politician will then have to deal with the issue on the basis of his own actions and self-respect. I think that, basically, the same principle can be applied to settling the issue of former prime ministers rejoining the party.

[YOMIURI SHIMBUN] You intend to introduce the minor constituency system. Have you changed your mind?

[Ozawa] I am a consistent advocate of reforming the constituency system. If we want to make it possible to

engage in party activities in a proper way, then there is no other alternative but to reform the medium constituency system.

If the minor constituency system is introduced, it will not suffice to have something like an advance election [jizen senkyo] as is practiced in the United States. While referring to the British and West German systems, the party should select candidates in an appropriate way. As for the method of selecting candidates, we should work out a system based on democratic processes and procedures understandable to everybody.

[Ozawa] Mr General Secretary, how do you plan to greet the 90's yourself?

[YOMIURI SHIMBUN] As I was asked to assume the post of general secretary suddenly, and as I always speak plainly, I have become the object of general aversion. However, I have no other choice but to continue acting until we win a victory in the general election. Since the 90's will be a decade filled with difficulties, we may have to take somewhat drastic decisions. We shall have to base our efforts on our party's rebirth, which I feel will lead to Japan's future destiny.

### JSP's Doi Interviewed on Opposition Unity

*OW0801033190 Tokyo YOMIURI SHIMBUN in Japanese 4 Jan 90 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Interview with Japan Socialist Party chairperson Takako Doi by unidentified interviewer; from series of interviews entitled "Interviews With Top Leaders of Various Parties—the Political Showdown in 1990"—place, date not given]

[Text] [YOMIURI SHIMBUN] Various major events, including the opposition's victory over the ruling party in the election for the House of Councilors, took place last year. It must have been a very significant year for the Japan Socialist Party [JSP] and for you, Ms Chairwoman. What comments do you have?

[Doi] In fact, I truly felt that drastic changes started last year. In particular, I felt that, to effect changes in politics following the House of Councillors election, the opposition should win a victory over the ruling party and take over the reins of government. I felt I was able to put my all into attaining this objective.

[YOMIURI SHIMBUN] Nevertheless, consultations on forming a coalition government among the opposition parties, the most vital issue, seem to be slow going.

[Doi] It is not true that we are experiencing slow going or making little progress in our talks. Unless the public see results or conclusions, they say that things are not going smoothly or not making progress. However, I can definitely say that we are concentrating our efforts.

[YOMIURI SHIMBUN] Do you think an accord will be reached before the general election?

[Doi] The only course open to us now is to make our efforts in real earnest. Speaking of a power change, the crucial key lies in unity among the opposition. Through our unity, we can win a victory over the ruling party, and we are making joint efforts with the hope of forming a national coalition government, so that we can live up to the people's expectations.

[YOMIURI SHIMBUN] The point at issue concerns four basic policies, including those on the Japan-U.S. Security Treaty and on the Self-Defense Forces. It is seen in some quarters that the JSP, as the largest opposition party, should try to be more broad-minded.

[Doi] You people from the mass media say confrontation exists. However, while making our efforts, we must respect the basic ideas and basic policies of each party; we must aim at achieving an accord, starting with a new concept based on new realities about a drastically changing world and Japan's position in this world; and we must promote slow, but positive, reforms. I think we must make advances while recognizing these three viewpoints. Following the election, thanks to the unity among the four opposition parties, we were able to pass the bill on abolishing the Consumption Tax at the House of Councillors. We would like to cherish this experience.

[YOMIURI SHIMBUN] Do you mean that what is important is the unity among the four parties?

[Doi] You are right. We have already reached an agreement on submitting several bills, including one concerning the abolition of the consumption tax, to the extraordinary Diet sessions to be held after the general election for the House of Representatives. To the public's demand for politics, we must respond in a visible and easily understandable way. We shall also jointly promote political reforms. I think that, to initiate political reforms, the four opposition parties should unite with a determination to overhaul politics from its very foundation.

[YOMIURI SHIMBUN] How do you plan to deal with the general election?

[Doi] We must take the coming election as a chance on which unprecedented changes are based. I have said on many occasions that change in administration is a certificate of a democratic society. I feel that the first such opportunity has come since the end of the war.

[YOMIURI SHIMBUN] What are the JSP's prospects, in concrete terms, for securing the Diet seats?

[Doi] I have never said how many Diet seats we shall secure in the election. However, the most important objective in the coming election is to strip the Liberal Democratic Party [LDP] of its majority.

[YOMIURI SHIMBUN] Concepts of a partial coalition or political circles restructuring have been mentioned by the LDP. What is your view on these ideas?

[Doi] It is a stern reality that the opposition has won a majority over the ruling party in the House of Councillors. It is quite natural for the LDP to try all conceivable means, because they have never been in the minority. With a sense of crisis about winning a majority in the coming election, they probably have made such remarks because they want to drive a wedge into the unity of the opposition. However, what the people want is a change of administration. It is important for us to get united for this purpose. The LDP will never succeed in their scheme by making such remarks.

[YOMIURI SHIMBUN] What do you think of the Kanemaru [Shin Kanemaru, former LDP vice president] remarks on an LDP-JSP coalition?

[Doi] The JSP has no such ideas. In uniting the four opposition parties to win power, we intend to replace the LDP. In this sense, our position is anti-LDP.

[YOMIURI SHIMBUN] How about the revision of party regulations at the party congress scheduled in April?

[Doi] Concerning the preface to the party regulations, which carries the expression "achieving the socialist revolution," the CPC Central Committee decided to "freeze" the passage at its session held last October. We must take this revision into consideration. We have already started studying the issue and decided to energetically complete it before the party congress following the election.

[YOMIURI SHIMBUN] How about the position of party executives, including yourself?

[Doi] I have only the matter of the general election on my mind right now.

[YOMIURI SHIMBUN] After the election, do you have plans to visit foreign countries?

[Doi] I have received invitations from several nations, but it will be difficult to accept all of them. We have problems pending between us and some countries. We must make clear our understanding of the international situation and our position on foreign policies first. Then, after the election, we shall present a definite diplomatic schedule.

[YOMIURI SHIMBUN] Do you plan to visit the United States, the Soviet Union, and Europe?

[Doi] Yes. I am planning to visit the United States and the Soviet Union as soon as possible after the general election.

### Komeito's Ishida Interviewed on Elections

*OW1001032490 Tokyo YOMIURI SHIMBUN in Japanese 5 Jan 90 Morning Edition p 3—FOR OFFICIAL USE ONLY*

[Interview with Komeito Chairman Koshiro Ishida by an unidentified YOMIURI SHIMBUN correspondent; from a series entitled "Interviews With Top Leaders of Political Parties—Political Showdown in 1990"; place, date not given]

[Text] [Question] General elections will be held soon. What will be the points at issue during the elections?

Chairman: I think that the major points at issue during the elections will be the abrogation or review of the consumption tax, political reform, Japan's peace policy, and the land and housing policy. Needless to say, the welfare question in the aging society and the farm issue will undoubtedly be points at issue in the upcoming elections.

[Question] Do you see any possibility of the Liberal-Democratic Party [LDP] losing its majority in the elections?

Chairman: I think that there is a great possibility. The political situation in Japan has gone that far. A bill for the abrogation of the consumption tax was adopted in the upper house, reflecting the people's will. I think that voters will remain opposed to the consumption tax.

[Qustion] How many seats does Komeito [the Clean Government Party] aim to win in the elections?

Chairman: We want to see all of Komeito's 59 lower house members reelected in the upcoming elections. Komeito will not field many candidates in the elections in hope of a windfall.

[Question] Opposition parties are expected to have a hard time reaching any agreement in their consultations on the establishment of a coalition government before the general elections. Are they confident of reaching an agreement?

Chairman: The people hope for the establishment of a political stage on which the government can be changed. Four opposition parties will form political forces against the LDP. I think that the possibility of reaching an agreement among the opposition parties will increasingly grow.

[Question] In this connection, the Japan Socialist Party (JSP) and Komeito appear to have no reliable relationship. What do you think?

Chairman: That may be. It is necessary for the two opposition parties to hold dialogues.

[Question] It has been rumored that Komeito will form a coalition government with the LDP after the general elections. What do you think?

Chairman: Points at issue upheld by Komeito in the elections are public commitments and they will not weaken in the least, even after the elections.

[Question] Then, Komeito will not form any coalition with the LDP. Will this be Komeito's public commitment in the elections?

Chairman: That does not necessary mean that a coalition between Komeito and the LDP will be impossible for 50 years or 100 years in the future. Under the present situation in which no prospects for resolving the issue of whether to abrogate or review the consumption tax and setting the course of the political reform are not seen, it is nonsense to talk about "a partial coalition" and the reorganization of political structure.

[Question] However, the LDP is highly likely to seek cooperation from Komeito. Will Komeito positively respond to the LDP on issues other than the consumption tax in an impartial way?

Chairman: We will have to ask the LDP and the JSP to work hard for the budget and budget-related bills. The present political environment does not allow "the JSP" to oppose only for the sake of opposition.

[Question] Neither the opposition-proposed aborogation of the consumption tax, nor the LDP-proposed review of it can be enacted even if the LDP retains the majority in the elections. As a result, the consumption tax will remains as it is. How will Komeito cope with this deadlock?

Chairman: Each party is under the same circumstance. The theory of abrogating the consumption tax is aimed at reforming the tax system. It is necessary to make the people understand the debate on tax system reform. In particular, we should ponder how the question of redressing the unfair tax system and the administrative reform will be dealt with. I think that if these two questions are resolved, it will be a great achievement.

[Question] The LDP is appealing for the political stability. Are opposition parties responsible for stability?

Chairman: Even if the LDP retains the majority in the general elections, the party should think of persuading the opposition parties for the sake of political stability. If the LDP accepts the Law on Relief for Atomic-Bomb Victims and the Law on Auxiliary Occupation proposed by the opposition parties, the political situation will be stabilized.

[Question] Former Deputy Prime Minister Kanemaru proposed a "conservative-reformist coalition." Do you anticipate a large-scale reorganization of the political structure like this?

Chairman: It depends on how well the LDP will deal with present political issues. I am not interested in any attempt for political stability through one-party rule and a combination of numbers.

[Question] There are moves to form socialist-democratic forces advocated by Akira Yamagashi, president of the Japanese Private Sector Trade Union Confederation, and former JSP Chairman Makoto Tanabe. What is the Komeito's stance toward these moves?

Chairman: If there is no basic agreement on policies, they will bring nothing. It is inconceivable to make any attempt to take power with this point left unclear.

[Question] Will Komeito be able to play the leadership in reorganizing the political structure under the theory of a "tripartite structure" made up of the LDP, the JSP, and the centrists?

Chairman: I think that a tripartite era is inevitable until an era, in which the government can be changed by 2 political forces, arrives. For example, "We will ask the LDP and the JSP to debate on the formation of a tripartite government this year with our party participating. We will tell them that this debate will result in better options." We will continuously repeat this request since it is based on democratic principles. The political structure should be reorganized and 2 political forces should be formed before this. I firmly believe this.

### Opposition Parties Plan To Form Study Group

*OW1201021890 Tokyo ASAHI EVENING NEWS in English 10 Jan 90 p 3—FOR OFFICIAL USE ONLY*

[Text] The creation of a study group on social democracy is being planned in what is viewed as a move to pave the way for a possible merger of three opposition parties, the Japan Socialist Part [JSP], the Democratic Socialist Party [DSP], and the United Social Democratic Party (Shaminren).

The Social Democracy Research Association is to be joined by the heads of the three parties.

Shaminren leader Satsuki Eda denies that political designs are involved. But the outcome of next month's Lower House election may trigger a reshuffling of parties, resulting in the merger of the JSP, the DSP and Shaminren.

The establishment of the study group is expecteed to give a sense of isolatin to the Clean Government Party (Komeito), whose parental organization is the Buddhist Soka Gakkai.

Shigeyoshi Matsumae, president of Tokai University, is a leading initiator of the project. But it was proposed by JSP Chairwoman Takako Doi. After an Upper House election last July, Doi asked Matsumae to set up a body to carry out studies on a form of social democracy suitable to Japan.

One of Doi's objectives is to polish the JSP's public image before the coming Lower House election. The prospectus for the proposed study group points out the need for the Japanese opposition parties to coordinate

their theories and policies with those of the social democratic and labor parties in Western Europe. It invites conservatives to join the group, noting that there are those who support "welfare society," one expression of social democracy, in the Liberal-Democratic party and economic circles and among bureaucrats.

## JPS Reports JCP Chairman's New Year Interview

### Installment One

*OW1101105390 Tokyo JPS in English 0916 GMT 4 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 4 JPS—AKAHATA of January 1 carried a New Year interview with Kenji Miyamoto, chairman of the Central Committee of the Japanese Communist Party [JCP], in which he went into details on domestic and international questions, especially the events which have taken place in the socialist countries, as well as those in the progressive and peace movements. Also on the theoretical and research activities of the JCP and the intellectuals, the work of the students and youth, and the preparations for the forthcoming general election.

The following are Chairman Miyamoto's answers to the questions put by Shigemitsu Kawamura, chairman of the JCP's central organ editors commission.

Miyamoto: The 1989 New Year interview was just after a historic all-night debate in the Diet which took place against the background of the people's opposition to the consumption tax. In referring to the situation and prospects I put emphasis on the absolute need for the anti-consumption-tax forces to gain more Diet seats in the election. I also emphasized my conviction that the democratic forces camp would be expanded. Broadly speaking, I can say that the situation, domestic and international, in 1989 proceeded in the direction I expected.

The opposition to the consumption tax expanded so widely among the Japanese people that the ruling Liberal Democratic Party [LDP] at last failed to obtain a majority of seats in the House of Councillors (upper house) election. The consumption tax which the LDP had forcibly enacted by the strength of its majority in defiance of its general election promise, declared by the then LDP president and many other officials, that the party would never attempt to introduce a large indirect tax. It is a pity that the Japanese Communist Party did not make progress in the election, but a severe judgment was passed on the politics of the LDP, and they lost their monopoly of power in one house of the Diet.

Internationally there were epoch-making events. Soviet troops withdrew from Afghanistan and the five Warsaw Pact countries for the first time were self-critical about their error of military intervention against Czechoslovakia twenty-one years after. We had criticized this action as a serious deviation from the principles of socialism, and their self-criticism is proof that our criticism was right. It took twenty-one years for them to reach this conclusion, but the important thing is that this was the first minimum step for socialist countries to correct their error which was against the progress of history.

On the other hand, it came as a shock to us that, in spite of our repeated critical advice, Ceausescu, the former secretary general of the Communist Party of Romania—although he had opposed the invasion of Czechoslovakia—dared to defy this trend of self-criticism, and eventually was overthrown by the people who rose up in a serious struggle shortly after he ordered the cruel armed repression of popular action in several parts of the country.

In 1989 different struggles have been waged in Nicaragua and other countries of Latin America; in Chile the anti-military junta forces won in the recent presidential election. In the African countries, in Namibia the party which had most clearly committed itself to national independence won in the general election. These and other victories of the people are not yet completed. A grave event was the United States, arrogantly, against the trend towards democracy, openly invading Panama at the end of the year, with 24,000 troops. This dramatic event showed that the Soviet Union's "new thinking diplomacy" and its repeated arguments that no ideology is needed for the relationship between states, is simply an illusion.

It is at least necessary for the "five principles of peace" to govern relations between countries, but the "new thinking" is wrong because it actually ignores these principles in that it denies the existence of imperialism in the present world.

Generally speaking, we can see that the people in each country in the world are pushing history developments forward, in spite of hardships of various sorts. An exact timetable has not been given, but it can be said that the world is making progress in the same direction as scientific socialism has expected. In sum, these are the characteristics of the situation which I can point to at the beginning of 1990.

### Installment Two

*OW1101111490 Tokyo JPS in English 0855 GMT 5 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 5 JPS—In his New Year interview with AKAHATA, Kenji Miyamoto, chairman of the Central Committee of the Japanese Communist Party [JCP] referred to the domestic situation. The heading in AKAHATA reads "Structural Changes in the Japanese Situation and the 2nd Reactionary Offensive". Miyamoto said:

"Looking at the Japanese situation, developments are dramatic, with a structural change taking place. To

understand this we must turn our attention to the following three fundamental points.

"First, Japan is still in the position of U.S. Forces stationed here, which is an extension of post-war U.S. military rule, while Japanese monopoly capital has become very powerful, arbitrarily exercising its reactionary rule, subordinate to the U.S., politically in the form of the monopoly of power of the Liberal Democratic Party [LDP], which has prolonged the post-war conservative political rule. One thing that came to the surface and strongly impressed us on the death of the Tenno (Emperor Hirohito or Showa) last year was that the reactionary tradition, specific to Japan, is very strong on the Tenno question. This can be seen from the fact that at that time 'AKAHATA' was the only newspaper that spoke fairly and democratically about the questions arising on the emperor's death.

"Second, the foreign policy of the anti-communist opposition parties has been basically subjected to the foreign policy of the LDP. This became very clear after the 'Socialist-Komei agreement' of 1980.

"The third feature is that although the foreign policy of the conservative government and the anti-communist opposition parties seem very powerful, also the domestic course of subordination which is seemingly strong, they have at last come into sharp contradiction with the true interests of the people. The anti-communist opposition parties subordinate to the LDP, made various compromises with the LDP on the introduction of a large scale indirect tax, changed their attitude in the House of Councillors last year to one of claiming the policy for the abolition of the consumption tax. Bearing in mind the experience of post-war struggles in progressive local administrations and the development of public opinion of the widest sections against nuclear weapons and arms expansion, this change can be described as a major one."

"Looking at historical developments, the consumption tax itself is the continuation of the 2nd reactionary offensive in the post-war era. This may be called a peak in the offensive, as it was introduced with the aim of changing the Japanese tax system for radical arms expansion under the Japan-U.S. military alliance. But on the other side of the coin are the people; it means for an opportunity to frustrate the reactionary offensive—and not only to repulse it but to change the structure of the LDP dictatorship which has been too long in the post-war period. This is the specific significance of the present situation from a historical viewpoint.

"At the center of the Recruit scandal is the suspicion about Yasuhiro Nakasone, who claimed 'the settlement of all accounts of post-war politics'. It has already been exposed that his politics have been linked in depth to plutocracy and corruption. It is a typical and significant revelation. In this sense, the struggles of the Japanese people constitute the strongest counter-offensive to the evil attempt to give the finishing touches to the Nakasone reactionary course for 'the settlement of all accounts of postwar politics'."

**Installment Three**

*OW1101114390 Tokyo JPS in English 0854 GMT 6 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 6 JPS—The following is the excerpts from the AKAHATA New Year interview with Kenji Miyamoto, chairman of the Central Committee of the Japanese Communist Party [JCP]. (This part is entitled "Characteristics of Political Forces in Japan")

"In Japan of today the contradictions in the society are so great and the shifting of the public views so drastic that, in terms of progress of history, days are passing at a pace of each day matching half a month or a full month.

"This requires me to go into the analysis of individual political forces active in this period of historic rivarly.

"To put it in a few words, all the strategy of the ruling Liberal Democratic Party [LDP] is focused on perpetuating its position as governing party. This determination of that party is overwhelming. To take an example, the LDP, taking an advantage of the people's desire (for clean politics), aims at introducing a reactionary 'single member election district system' under the name of 'political reform'. The party has not a bit of idea of trying to protect the people's living and rights. It is no exaggeration to say that all its actions are motivated in its ambition to perpetuate its position as a ruling party, and that, to this end, it doesn't hesitate at all to deceive the voters and to use every trick to win opposition parties over to its side. It made partial correction in the governmental budget draft in relationship to medical assistance to the aged, but this was a measure with a transparent purpose of buying votes in the forthcoming general election.

"When the United States invaded Panama, openly trampling on the sovereignty of other country, the LDP government has issued a statement that 'we can understand enough the motive of invasion.' This showed very clearly that this government is a subordinate to the United States.

"Each of the anti-communist opposition parties has complicated characteristics. The Socialist Party of Japan [SPJ] consists of two groups: one, along with the Komei Party and the Democratic Socialist Party [DSP], is pursing an abysmal pro-LDP line, and the other is trying to sustain the party's idea of 'non-armament and neutrality,' trying to be loyal to the sincere aspiration of SPJ supporters. This rivalry within the SPJ is a key point to our assessment of the SPJ.

"Now let me enter the questions of the Komei Party and the DSP. Newspapers reported in details that secret talks were held between LDP Secretary General Ichiro Ozawa and Komei Party Chairman Koshiro Ishida on October

25. Earlier than this Komei Party Secretary General Yuichi Ichikawa told the party's paper, KOMEI SHIMBUN, that the future politics in Japan will be erected on the 'tripolar structure': the LDP, and two middle-roader forces each of which will be represented by the SPJ and Komei Party respectively. This should be taken to mean that it is possible that the Komei Party may form a coalition with the LDP regardless of the result of the forthcoming general election. Upper house member Kuroyanagi from the Komei Party also reportedly said 'there is no rule that prohibits us from forming a coalition with the LDP.' At the same time, DSP Chairman Eiichi Nagasue dropped a hint that his party may form a coalition with the LDP after the general election, on the condition that the 'leftist' group in the Socialist Party of Japan should be excluded from such a coalition. This suggestion, made in Hungary when he stayed there, betrays the DSP's willingness not to resist the temptation that has been thrown by the LDP. The primary aim of his visit to East Europe was to gather materials to use for an anti-communist propaganda in the general election.

"An important common feature of all these anti-communist opposition parties as a group is that they have obstinately clung to the ten-year-old anti-communist splittist line which gives a general approval to the ruling party's foreign policy of maintaining the Japan-U.S. Security Treaty and the Japanese Self-Defense Forces, with their coalition-government program characterized by the principle that the JCP shall be excluded from such a government. I don't know there is such a group of opposition parties in any country in the world; this is a case peculiar to Japan. However, in spite of these characteristics of the anti-communist opposition parties, the pressure of overwhelming majority of the people desiring the abolition of consumption tax has compelled them to oppose that tax—an indication of seriousness of the present contradictions in Japan.

"With disappointment to the LDP plan for a 'review' of the consumption tax, public opinion demanding an end to the consumption tax is surging higher than ever.

"The JCP makes much of cooperation on the following three points: the abolition of the consumption tax, eradication of corrupt politics of plutocracy and prevention of liberalization of rice import, and is going to enter the election battle, carrying the goal for the establishment of a temporary coalition government to implement these tasks".

**Installment Four**

*OW1101115890 Tokyo JPS in English 0902 GMT 8 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 8 JPS—(Making a Continuous Effort To Give the People a True Picture of Japanese Capitalism)

"Under these circumstances, the government and the LDP [Liberal Democratic Party] make a desperate effort to focus the voters' attention on selecting between socialism or capitalism, so obscuring the real issues, and uniting the anti-communist opposition forces so that the people are tricked and cheated by them. Therefore, it has become very important for the struggle in the country and in the world that we should make a continuous effort to give the people not a formal but a vivid picture of the actual conditions of American and Japanese capitalism, as AKAHATA has done through a series of feature articles, giving the people the true picture of capitalism.

"Japanese workers are subjected to extraordinary intense long working hours, and in going to and from their home and workplaces they have to spend many hours each day. A typical instance showing their working conditions is that 'karoshi (dying from overwork)' has become a term which is widely used in other countries in describing Japanese capitalism.

"Let me take a few examples. Sumitomo Precision Products Co. has tried to deal with an increased amount of work with the same number of employees; this means that each worker has to take charge of two or three machine tools, not one as he did in the past, and to be in the factory on two or three out of the holidays each month. In the Daihatsu Motor Co., the output rate for vehicles on the assembly lines has been increased further over the very fast rate at which a vehicle was assembled every minute. Unable to take even a lunch-time rest, workers eat rice balls tied down to the line.

"White collar workers work under no better conditions. Some three thousand saleswomen working in a certain stock company are not given overtime pay and when they retire from the company, even those who have worked for thirty years are not paid retirement allowance; they are only given 600,000-700,000 yen worth of 'farewell gifts.' Furthermore, a worker joining a trade union is subject to a variety of harassments, such as refusal to give him information necessary for doing his job. These are the conditions under which major enterprise employees in Japan are working. In addition, the size of a worker's home has not been improved at all: it is so small that it has been called a 'rabbit hutch' by foreigners. And most of the workers living in large urban areas have to give up the idea of owning their own house because of the skyrocketing rise in estate prices.

"Because of its strong competitive power Japanese monopoly capitalism is the envy of other countries, and even some socialist countries have expressed a very easy attitude towards it, saying Japan is a model which has a great deal for them to learn from. Under these circumstances our denunciation of Japanese monopoly capitalism is of still more importance, and in the general election campaign as well it will be a very important task to be tackled in a very earnest way."

**Installment Five**

*OW1101120790 Tokyo JPS in English 0924 GMT 8 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 8 JPS—In the part under the headline "How To See the Developments in Socialist Countries",

Kenji Miyamoto, CC [Central Committee] chairman of the Japanese Communist Party [JCP], answered the question posed by the interviewer (editor-in-chief of AKAHATA) on the developments in socialist countries, typically expressed in the anti-government demonstrations and the fall of the Ceausescu regime, Soviet perestroyka and the question of "new thinking", the armed repression at Tiananmen in China. The editor-in-chief of AKAHATA pointed out that in Japan an argument on the "bankruptcy of socialism" has been intentionally spread widely, and asked how to view the situation. Miyamoto replied:

"Fundamentally, what is now very important and essential is where to start thinking about these problems.

"The first thing that should be clarified is what the socialist movement is from its origins. There are many misunderstandings about this. In short, the misunderstanding is that socialism means where the people have taken power, and where a socialist system has been realized, and that the success or failure of such countries decides the fate of the socialist movement in the world. This is a wrong interpretation, which has led to a gross misunderstanding.

"Since its foundation, the Japanese Communist Party has struggled, with scientific socialism as its theoretical basis. But originally, Marx and Engels, founders of scientific socialism, were engaged in the movement when there were no socialist countries. It is not correct to see the problems of socialism only in the context of those countries where a socialist system has been established. In the world the overwhelming majority of countries have not yet reached socialism. These views did not correctly recognize this fact and this became the source of the wrong tendency these countries have for long time followed of leaning on the Soviet Union, a big power. [sentence as received]

"The socialist movement is no such a thing. It means, based on the world outlook of scientific socialism, to lead the country for advance, in accordance with the analysis of scientific socialism, whatever stage of social development the country may be".

Miyamoto pointed out the JCP's rejection and criticism of Soviet interference attempting to impose on Japan the "praising of the partial nuclear test ban treaty, the armed expansion course based on Brezhnev's military equilibrium concept, imposition of which was attempted in the name of the 'peace program', which led to a limitless nuclear arms race with an enormous accumulation of nuclear weapons." "We have claimed that the elimination of nuclear weapons is the urgent and central task of world peace, and we have criticized their attitude for 20 years", Miyamoto said.

He also pointed out the strong JCP criticism of the invasion of Czechoslovakia by the armed forces of five Warsaw Treaty organization states, and the suppression of the "Prague Spring", and the Soviet aggression against Afghanistan.

Taking up the Tiananmen incident in China, Miyamoto said, "When the people's movement for democratization rises as a peaceful movement, wanting to avoid armed struggle, then mobilization of the armed forces and firing on the people, causing mass slaughter, is the thing that socialism must never do.

"The spirit for the defense of human rights, and achievements which have accumulated in capitalist society by the people's struggle, is a treasure won by human beings, and socialist democracy must further develop it."

### Installment Six

*OW1101122790 Tokyo JPS in English 0901 GMT 9 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 9 JPS—(Asked About the Romanian Situation)

I visited Romania twice in the 1970s. The signed joint statements and declarations were three in all. This is because Romania was the only country in Eastern Europe which took a position against the invasion of Czechoslovakia and made just remarks on the elimination of the nuclear weapons and against interference in communist parties, although the other East European countries followed the Soviet Union. We maintained exchanges between us on such questions.

But, to our surprise, the Romanian Communist Party [RCP] supported the Tiananmen incident, and in relation to the developments in Eastern Europe, it began saying that the Warsaw Treaty Organization should undertake "joint activity", to interfere. On these questions, the Japanese Communist Party [JCP] expressed its critical views at the time of the visit to Romania of the head of Secretariat Mitsuhiro Kaneko last August and in AKAHATA.

Such a change of attitude was made clear in the congress of the Romanian Communist Party last November, and the JCP immediately openly criticized it, without regard for its past relationship with the RCP. Before the congress of the RCP, the JCP's critical views were conveyed by the JCP's International Commission Chairman Hiroshi Tachiki through the Romanian ambassador to Japan. After the congress I myself invited the Romanian ambassador to the JCP Headquarters and handed over a letter addressed to the leaders of the RCP pointing out that their ideas were incorrect. A report on the RCP congress was made in the 7th Central Committee plenum and we openly criticized the RCP. Concerning recent developments, the JCP Central Committee quickly sent a telegram on December 19, demanding that the RCP publish the truth. This shows that the JCP resolutely takes action against any party which acts in conflict with the self-evident truth of the situation and against progress in the world.

But some people, though small in number, misunderstand and think that JCP's strict criticism of the Ceausescu government's outrageous suppression contradicts its traditional position.

This is not right. This position does not take a wide view of international politics since the 1968 "Prague Spring", unable to justly see the role of Romania which did not agree to the invasion of Czechoslovakia by the countries of the Warsaw Treaty Organization and had been consistently independent from the Brezhnev administration. The JCP's effort at that time not to isolate Romania and to have joint statements with them with the right international purpose were significant contributions to the positive course of international politics, the communist movement and peace movement in the world. Of course we strictly checked the texts of the statements which did not make any unprincipled mutual expressions of praise.

The JCP is a party which boldly acts with fundamental initiative in case of necessity, and this is why the JCP displayed such courage in firmly giving no approval to any infringement of socialist democracy, including the Tiananmen incident in Beijing. Learning that the Romanian Communist Party had made a proposal by an international conference on the "defense of socialism" to other parties last August but excluding the JCP, the JCP immediately warned the Central Committee of the Romanian Communist Party against it, and sent a letter of thorough criticism. The JCP position based on scientific socialism is not to have any unprincipled collusion with a party with which it concluded joint statements in the past.

It is natural that the new Romanian Administration, which sides with the people, broadcast the JCP's recent views on the situation in Romania on radio and television, and expressed their thanks.

I hear there are reportedly various obstructions to the new order, and the execution of Ceausescu and his wife was suddenly published. Anyway I heartily hope that Romania will be free from violence and bloodshed as early as possible.

(JCP Maintains Consistent Criticism Amid "Concentrated Fire" From Forces Toadying to the Soviet Union)

One of many questions on the East European situation is that this is not the failure of socialism but of the Soviet-type of socialism of Stalin, Khrushchev and Brezhnev, the failure of a form of distorted socialism. Of course, good traditions and institutions set up in the spirit of the constitution laid down by Lenin have been retained in Soviet society. Free medical service and education, and other social security benefits and equality between the sexes has been maintained in the face of not a few distortions. What should be questioned is Soviet hegemony and their interventions in Czechoslovakia and Afghanistan and their imposition on the parties of other countries of the infallibility of the CPSU. Also their arguments on so-called "limited sovereignty" that sovereignty of each country should be surrendered for the common interests of the Warsaw Treaty Organization.

Only a very few forces dared to openly criticize the Soviet Union. The Japanese Communist Party missed no opportunity to make resolute criticism of the Soviet Union, as shown in the activities of AKAHATA correspondents and the JCP representatives stationed overseas. For this reason the JCP has long been the target of the "concentrated fire" by those forces toadying to the Soviet Union. But the JCP has stood firm and resolutely asserted that truth and progress in the world and of true communism are totally incompatible with such big-power chauvinism and hegemony. This position has been sustained in theory and practice by the party.

The JCP takes no foreign country as a model or the norm in working out its perspective for Japanese society. As to the connection between democracy and socialism, the JCP since its 11th congress more than 20 years ago has been proclaiming that bourgeois democracy, in spite of its limitations, should be regarded as one of valuable assets of humankind. This does not mean that this position of the JCP should necessarily be followed by the parties of other countries. In relation to the JCP future course for Japan, the JCP clearly takes the view that socialism and political pluralism are compatible.

In connection with this point, the Soviet Union and the East European countries have the common characteristic in their constitutions of guaranteeing the leading role of the Communist Party. The constitution laid down by Lenin had no such provision. The Stalin constitution was the first to have the provision, followed by the Brezhnev constitution.

Article 3 of the Romanian Constitution enacted in 1966 defined the Romanian Communist Party as the leading political force in society, and this became a hotbed of bureaucratic socialism. In the political perspective for Japan, the JCP stands for political pluralism and works for a coalition government. A monopoly of power by the JCP is not the objective.

The Soviet-type Communist Party leadership guaranteed by the constitution and interventions in other countries as a duty of the Warsaw Treaty Organization are being brought down now by the people's criticism. It is very important that the JCP has consistently maintained its fundamental scientific view to prevent such failures of socialism.

(Asked To Comment on the Argument That the Party Principle of Democratic Centralism Has Become Nonsense With East European Countries Eliminating the Constitutional Clause That the Communist Party Is the Leading Force)

This, too, is a false argument, for democratic centralism is a principle a political party, not a state, adopts for managing itself. Each member of the party has his own thoughts and ideas, but they all agree on the party

program. As the rivalry between political parties requires them to devote their energies for success, they necessarily adopt this or that form of centralism. Briefly, the minimum centralism is required of every party member to implement the decisions of his party. This form of centralism is adopted by even the Liberal Democratic Party [LDP]. Though divided into factions, the LDP becomes one, for example, when attacking the JCP, if they suffer defeat in this, it would mean defeats in the survival struggle among political parties.

The foresight of the JCP shows in that it has made a distinction between the management of a government and a political party. This leads me back to the constitutional issue in the Eastern European countries you referred to above. The first Soviet Constitution established under the leadership of Lenin didn't impose on the people a provision that the Communist Party was the leading force of the state. It was in the Brezhnev constitution which provided that the Communist Party was the core force in the state, a confusion between the state and a political party.

The JCP draws a line between the state and political parties, declaring that the state should have no specific set philosophy. At the same time, the JCP has democratic centralism as the principle of party management. Democratic centralism, however, also means centralized democracy—a system which takes in the widest possible views of the party members and brings them together into a common direction. This is a necessary measure for party politics. Any force neglecting this principle will suffer defeat in the survival struggle between political parties. But this will never mean that, when the JCP comes to power, the party will impose its philosophy on the state or give itself a special status in the state. There should be a rigid demarcation between the state and political parties. But as far as the principle of democratic centralism as described above is concerned, it is what we, as a political party, can never renounce whatever event may take place in Eastern Europe.

If we permitted the freedom of factions or currents in the party, it would be impossible ever for the JCP to organize the broadest sections of the people and win the contest between political parties; in short it would never be able to come to power. Thus to argue, from a superficial view of the events in Eastern Europe, that the principle of democratic centralism has failed is an extremely vulgar notion which confuses the state with political parties.

This is why the JCP "Manifesto on Freedom and Democracy" makes a strict separation between political parties and the state, and respects the independence of the three powers, legislature, administration and judicature, which should be sustained by any future government of Japan. The manifesto states that the principles of the present Constitution, viz., (1) sovereignty is vested in the people, the state is a sovereign state, (2) lasting peace, (3) fundamental human rights, (4) parliamentary democracy and (5) local autonomy. [sentence as received]

### Installment Seven

*OW1101131490 Tokyo JPS in English 0916 GMT 10 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 10 JPS—(Socialist Countries Ought To Dismantle Their Military Bloc of Their Own Accord)

In the last analysis, any military bloc is an organization for war. Therefore it is quite natural that socialist countries should take the initiative in dismantling their military bloc of their own accord, but such an initiative has long been prohibited under the rules of the Warsaw Pact. In these circumstances the people's demand that priority should be given to their living standards rather than to the military has been neglected. This caused the present disastrous situation where people living in socialist countries came to envy the living conditions in capitalist countries.

This is true of the German situation. Neither the Soviet Union nor the United States wants a united Germany. They are afraid that the reunification of Germany will put on the agenda the withdrawal from NATO and the Warsaw Pact and that a united Germany may appear too powerful. But unification is a natural course for the nation, and ought to be advocated by socialists. Furthermore if it leads to the elimination of military blocs and the withdrawal of the two Germanys from them so that a united Germany becomes a stronghold of peace, it will accord completely with the spirit of peace and socialism. Now is the time for the parties concerned to break out of the limits of the Yalta agreement which determined the spheres of influence among the big powers.

In the U.S.-Soviet summit talks in Malta in December, 1989, both sides agreed that the cold war no longer made sense, but failed to make any tangible progress on the question of military blocs—a vital element of the cold war.

Hardly had the summit talks ended than U.S. President Bush defended the strengthening of NATO and Soviet President Gorbachev the maintenance of the Warsaw Pact. This reveals the weakness, and limitations of the Soviet leadership failing to draw adequate lessons from the events in Eastern Europe.

Even some members of the JCP say that we should demand a simultaneous dissolution of the two military blocs, not a unilateral one by the Warsaw Pact. This is a fair demand, they say. But in fact the Warsaw Pact's position for "simultaneous dissolution" is mere lip service. The Warsaw Pact summit meeting in July, 1989, adopted a declaration a bit louder for "simultaneous dissolution" of the Warsaw Pact and NATO, but there was no substantial shift from the position of the Brezhnev period which clung to the maintenance of military blocs. The Soviet Union should accept a

demand for the withdrawal of Soviet troops when it is made by any socialist government—the Czechoslovak Government has made such a courageous demand.

During the turmoil in Romania, the media reported that the Soviet Union and other countries might give a military assistance to Romania within the framework of the Warsaw Pact, but the possibility was avoided because Romania decided not to make such a request. This was a natural, and good decision.

Generally speaking, that a socialist country deploys its troops or nuclear weapons in foreign countries, no matter what actions have been taken on the side of NATO, does not serve, from the global point of view, the effort to bring the world's people together in the camp of peace; though such a deployment may serve as demonstration of strength. Lenin renounced the illegal possession of lands which had been occupied by tsarist Russia. It was counter to Lenin's position that the Soviet Union's leadership under Brezhnev sent its troops into Afghanistan in an attempt to keep the country under its influence in spite of the enormous cost of lives.

(On Socialist Economics)

One of the major causes for the critical condition of the Soviet and East European economies is the heavy burden of military expansion they have to bear to support the vicious circle of the nuclear arms race between the Soviet Union and the United States. Another is the failure of economic policy based on excessive bureaucratic state control from the top.

From the events occurring in East European countries some people draw the conclusion that any growth in productive power in these countries will require the total elimination of a "socialist planned economy." But it is not reasonable to think that a market economy is in a total contradiction to a state-planned economy. This is a theme treated in the last chapter of the JCP program, and allow me to refer to it so that our readers can have a correct understanding of the program. The bureaucratic, command-type planned economics which some socialist countries have followed in their economic management turned into a controlled economy which strangles initiative of individuals and enterprises; this brought about a decline in production and a sluggish merchandise trade accompanied with an increased stockpile of unsold goods, and prevented a prompt reaction on the part of enterprises to consumer demand. Nevertheless, it is not reasonable to think that any state planning is unnecessary, harmful.

Within even the economies of advanced capitalist countries, including the Japanese which some socialist countries are almost lauding, it is common for governments to draw up state plans covering many fields. In Japan, for example, there are more than 10,000 examples where the LDP government's ministries and agencies have the authority for permission and approval.

The mid-or-long-term economic plan has been drawn up every second or third year on the average in Japan; the five-year economic independence plan under the Hatoyama government, the national income-redoubling plan under the Ikeda government, the seven-year new economic and social plan under the Ohira government, and the economic and social perspectives and guidelines for the 1980s under the Nakasone government. The main economic projection indicators concerning GNP growth and others have to be approved by the cabinet. State interference sets up a variety of restrictions on foreign trade as well.

Of course, there are differences between capitalist and socialist economies; the latter is aimed at the elimination of the system of exploitation. But some people's phobia about "planned economics," a view that all such economics can do is to obstruct production, comes from their ignorance of capitalism, as well as their fear of making a creative approach to socialism. A correct understanding of the JCP program is that a planned economy must not be bureaucratic: it should introduce market forces: flexibility will be in full play to determine the weight of each so that careful consideration can be given to the conditions and maturity of society.

## Editorial Criticizes Kaifu Speech in West Berlin

*OW1201082190 Tokyo JPS in English 0943 GMT 11 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 11 JPS—Japanese Prime Minister Toshiki Kaifu sang the praises of "freedom", "democracy", and "prosperity" in his speech in West Berlin on January 9 (local time), and behaved as if he himself is "the ensign of freedom and democracy."

But AKAHATA editorial on January 11 criticizes his speech, saying it is a fraudulent propaganda serving for the general election campaign. The editorial says that the standpoint which the prime minister set out in the speech is, far from "freedom and democracy," to cling to the theory of "deterrence" of military alliances and to help the U.S. global implementation of its world strategy. The gist of the editorial is as follows:

"Mentioning present development in East European countries, Kaifu said that 'freedom and democracy was maintained...thanks to the unity of the West.' By saying this, after all, he tried to justify the LDP [Liberal-Democratic Party] aim to make 'choice of political [word indistinct]' the point at issue in the coming general election.

"But what the situation in East European countries shows is that the people have to construct independent and democratic countries by themselves, in opposition to the great power chauvinism, bureaucratic [word indistinct] system which [word indistinct] people and demands, and the [word indistinct] of arms build-up [word indistinct] sacrifice people living under the military bloc.

"It is far from a 'victory of the West.' But it can hold [word indistinct] in Japan where the LDP dictatorial politics is faced with people's criticism. The LDP, breaching its election campaign pledge, enforced the consumption tax, and [words indistinct] maintaining this [words indistinct] by review of what the people said 'no to the tax' in the House of Councillors election last year. Does 'freedom and democracy' exist in this LDP [words indistinct] as shown in Okinawa's [word indistinct] Island, and Zuhai, where the U.S. forces [words indistinct] and bases exist or plan to build, local autonomy and the [word indistinct] right to live are threatened by the Japan-U.S. Security Treaty or the Japan-U.S. military alliance. 'Prosperity' is applied only to the big enterprises, and most of the Japanese people suffer from low wage and long working hours, [words indistinct] the major Western countries.

"If he speaks 'freedom' and 'democracy', he should first of all implement the national urgent task of abolishing the consumption tax, elimination of money-power politics and defense of agriculture.

"Diplomacy with an aspiration to toil tirelessly for peace and prosperity of the world, which Kaifu stressed in his speech in Berlin is also a foolish wish having the general election in the view. In fact, the content absolutely affirms the maintenance of military blocs. It is proved by his words that the Soviet Union still is a military superpower. Deterrence and balance of power continue to be the underpinning for world security.

"Kaifi also said, 'one of the main objectives of my present trip to Europe is in fact, to achieve such intensified relations in which Japan and the West Europe countries work together as global partners in the [word indistinct] of a world in search of a new order.'

"This means to make it [word indistinct] to maintain and strengthen the U.S. deterrence strategy, that is, the extension of armament centering on the nuclear strategy and [word indistinct] world strategy based on military blocs, contrary to the tendency of [words indistinct] disarmament and the dissolution of military blocs. Concerning the relation with the Eastern Europe, it means to make a politics to the Eastern Europe based on global [words indistinct] which Kaifu promised with U.S. President Bush in his visit to the U.S. last autumn.

"The diplomatic politics which Kaifu set forth in his speech note an independent and positive tone aiming to overcome the basic structure of the postwar world order but an [word indistinct] traditional one following the U.S.

"[Words indistinct] should be [word indistinct] most [word indistinct] Kaifu politics promoting misgovernment of strengthening of the Japan-U.S. military alliance turning its back to the major world trend and Japanese public opinion."

## AKAHATA Criticizes Gorbachev's 'New Thinking'

*OW1101130290 Tokyo JPS in English 0922 GMT 11 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 11 JPS—AKAHATA commentary edition dated January 1 and 8, 1990, carried an article by Sakundo Onuma, member of international department of the Japanese Communist Party [JCP] entitled the "Reality of 'New Thinking' and International Policy—On General Secretary Gorbachev's Article on 'Socialist Idea and Revolutionary Perestroyka'". The gist follows:

The November 26 issue of "PRAVDA", Central Committee organ paper of the Communist Party of the Soviet Union, carried an article of General Secretary Gorbachev entitled "Socialist Idea and Revolutionary Perestroyka".

The article makes a comprehensive analysis of some theoretical questions of socialism and perestroyka. It includes some points reflect deeper on bureaucratic "Soviet-style socialism", but in the international field it fails to propose the urgent task of "eliminating nuclear weapons", and is not clearly self-critical on the worst errors of Soviet external policy such as great power chauvinism and hegemony, and no reference is made to imperialism at all. The article is characterized by these points. The article as a whole shows the reality of the "new thinking" international policy at the present stage, it puts stress on the position of new conformism which restrains the struggles of the people in other countries and the world progressive forces for social progress on the pretext that priority should be given to the "interests of the whole humanity".

### Absence of Self-Criticism on Hegemony and Big Power Chauvinism

First, as regards nuclear weapons, the article only has one reference on the perspective for the "transition to a nuclear free world". In the summit talks with the JCP in December 1984, the CPSU agreed to the position that the "elimination of nuclear weapons" is the "urgent vitally important task for humanity". But this has almost disappeared from recent statements and articles by Soviet leaders. This Gorbachev article again demonstrates this.

Although the article analyzes internal and external policy retrospectively from the period of Brezhnev to Stalin, it is not clearly self-critical on great-power chauvinism and hegemony, the worst error of successive Soviet leaderships. The article refers to the errors towards ethnic minorities made by Stalin during the Second World War, in relation to the intensifying ethnic disputes currently in the country. But it makes no serious analysis of great-power chauvinism which has caused irreparable damage to the cause of socialism, as shown by the German-Soviet secret protocol which is the background to the voices of the peoples of the three Baltic countries who are demanding the right of self-determination.

The article should make a comprehensive analysis of the position and role of socialism in the world today but, no word on imperialism appears and no criticism is made of the oppression and interference by imperialism. This is also a telling point.

In his speech at to the rally commemorating the 70th anniversary of the October Revolution, two years ago, General Secretary Gorbachev adopted the position that all humanity has a common destiny beyond class conflict, but he pointed out that the key to defend mankind from the danger of war is to defeat the destructive role of class, peculiar to the "capitalist system", carrying forward the view that "the major threat of war lies in the substance of imperialism". The article which avoided any word on imperialism is a further regression from the position of two years ago. "New thinking" has become complete.

**Proof of Collapse of "Soviet-Style Socialism"**

The JCP has pointed out the lack of democracy and the bureaucracy in Soviet-style socialism. The Gorbachev's article partly proves this correct.

As to the direction of political reform to overcome the bureaucratic distortions of socialist society, the article stresses the unity of the "idea and practice of the people's socialists self-government" and the "longstanding and tested experience of the mechanism of representative parliamentary democracy, which ensures a clear delineation between the executive and legislative powers and the independence of the judiciary." The JCP says in its "Manifesto on Freedom and Democracy" that parliamentary democracy and the separation of the three powers should be carried into the socialist system. This part of the Gorbachev's article shows that the views of the JCP are reasonable in the light of the direction of political reform in the socialist countries and the form the process is taking.

The change of the articles in the constitution which provide for the leading role and prerogative of the Communist Party are now being questioned in the Eastern European countries. But what draws our attention is the fact that in the Gorbachev article the Soviet Union clings to the continuation of the one party system.

As regards the economy, reflecting on the failure of the centralized command method, the article attempts to support economic reform theoretically by newly defining developments in commodity relations and the variety of ownership under the socialist system. It points out that "socialization" must not be reduced to "state control", and at the same time it says, "we are not renouncing and will not renounce the very idea of socialization, and the priority for social property."

There is correct analysis in the article, saying that it is wrong to blame Marx and Lenin for the present critical situation in Soviet society because the October Revolution was a sound choice, which was distorted by the errors which took place in and since the period of Stalin.

**Imperialism Acquainted and Capitalism Praised**

Thus the article defends the October Revolution and the idea of socialism, but rather puts stress on praising the achievements of capitalism in the present world.

With the aim of supporting and praising present day capitalism based on "new thinking", the article says Marx failed to foresee that the scientific and technological revolution could become a new source for the development of capitalism. Moreover, the article says that Marx "did not suspect that there might be a long period of the coexistence of two social systems in large groups of countries." Naturally it was impossible for Marx to foresee the historical process to the present situation: countries of two different social systems were affiliated to military blocs as a result of the hegemonic policies of the big powers: the "coexistence" of the two systems and the confrontation of the military blocs are a major part. The article said that this coexistence "prompted capitalism to improve itself, absorb many of the elements of socialist experience in the socio-economic sphere and democratize the political system" so that capitalism was able to "adjust itself to the challenges of the time." This is actually a "declaration of surrender" which admits capitalism as superior to socialism not only in the economy but also in the political system.

The article touches on some separate aspects of present capitalism, saying that "the character of capitalist property has radically changed" and the "internationalization of production" or "transnationalization of the capitalist economy." But it fails to see capitalist exploitation, which is a decisive element to understand capitalism. No analysis of present day capitalism is made based on class and scientific socialism. These are characteristics of the article. Problems and difficulties for workers in capitalist countries, as seen typically in overwork and death from over exertion of the Japanese are not seen as part of his thinking.

**No Reference to Communist Organizations, but Admiration for Social Democracy**

From the new position of cooperation, the article makes no reference to the role of the communist parties in the capitalist countries but highly evaluates the role played by social democracy, in so doing dumping the qualitative distinction between scientific socialism and social democracy. This is also one of the outstanding features.

At the time of the outbreak of World War I, parties of the Second International, changed their position from opposition to the imperialist war to "defense of their countries" and support for the imperialist war. It is well known that it was a crossroads which meant the parting social democracy from that of scientific socialism. The article praised social democracy without criticism, making no reference to this historical fact.

The article reflects on and analyzes the collapse of "Soviet-style socialism" to some extent. But on the

whole it is written based on the position leading to the deviations from scientific socialism and the dissolution of world communist movement in thought only. It surprises progressive forces in the capitalist countries in particular, making them feel what serious development the praising of capitalism based on "new thinking" and a conformist world outlook has made.

### AKAHATA Cited on Lifting of Martial Law in PRC

*OW1201081790 Tokyo JPS in English 0932 GMT 11 Jan 90—FOR OFFICIAL USE ONLY*

[Text] Tokyo Jan 11 JPS—The Chinese authorities on January 10 announced that martial law imposed on Beijing city on May 20 last year is to be lifted, effective from January 11. AKAHATA of January 11 critically commented on this, saying that the decision fundamentally lacks any self-criticism of the armed suppression of the people. The article is entitled "No Self-criticism on the Repression Is Against Socialist Democracy."

On the Chinese authorities' brutal suppression by military force of the peaceful demonstrators in May and June last year, criticism and protest mounted from the people of the world. But the Chinese authorities kept martial law, ignoring world public opinion.

The decision to lift martial law partly arises from the need to consider public opinion inside and outside the country, with the hope that economic sanctions by the governments of the Western countries will be lifted.

The serious aspect of the decision is that it is not based on any self-criticism of the military suppression. Premier Li Peng in his televised speech assessed the declaration of martial law as "timely, necessary, and correct." The armed suppression was justified, instead of being critically examined.

The decision does not express any intention of discontinuing the suppression of the movement for democracy in future but the very opposite. Calling the movement for democracy in workshops and on campuses as counter-revolutionary, the decision calls for stronger "political education" against the movement, continuous mutual watching among the people, collection of information useful for holding down the movement for democracy, stronger control on communication by fax machines, encouragement to giving out information and strict control on the activities of the Democratic China Front, an overseas organization calling for more democracy in China.

The Chinese authorities made it clear that stricter bans and controls will be put on the citizens' rallies and demonstrations and their speech. This is virtually a declaration to continue and strengthen the process of military suppression and strong power politics. There is nothing more contrary than this to socialist democracy.

The pragmatism of the Chinese leadership makes them eagerly wish for the resumption of economic aid from the countries of the West, whilst forbidding democracy for the people.

What has raised a serious question is that the Japanese Government and the U.S. Administration agreed to put forward a policy of support for the Chinese leadership urging them to take specific steps for the restoration of relations and the resumption of economic contact. The Parliamentarians League for Japan-China Friendship headed by Masayoshi Ito of the Liberal Democratic Party and a mission of the Federation of Economic Organizations (Keidanren) visited China in September and November last year, respectively. Having dropped the question of the military suppression, they proposed improved relations between the two countries and offered economic cooperation.

In December a U.S. presidential aide and the presidential envoy Brent Scowcroft visited China for the second time since the Tiananmen incident and held talks on improving U.S.-China relations.

Self-interest and the pragmatism of the Chinese leadership has led to their lifting martial law so as to facilitate economic aid from the Governments of Japan and the U.S. This superficial measure, however, will not change at all the realities of the continued suppression on the people, which is the central issue.

## Economic Affairs

### Editorial Views Japan's Role in Global Economy

*OW0901011590 Tokyo MAINICHI DAILY NEWS in English 7 Jan 90 p 2—FOR OFFICIAL USE ONLY*

[Editorial: "An Open Economic Power"]

[Text] Upon considering the prospect for the 1990s, there is a feeling that an age of global economy is being entered, transcending national borders and with decreasing differentiation between capitalism and socialism.

The present scale of the world economy is 20 trillion dollars in nominal GNP [gross national product] terms. Upon observing the proportion of different countries and regions, the figures are a little less than 5 trillion yen for the United States and the European Community respectively, nearly 3 trillion dollars for Japan, about 4 trillion dollars for all the developing countries, and a little more than 3 trillion dollars for the Soviet Union and Eastern Europe.

Conspicuous in this is the expansion of Japan's presence as a leading player in the increasingly multipolar world economy. At the same time, a delusion that the world is revolving around Japan is no longer permissible. The concept should be strengthened that Japan is moving together with the world.

For that purpose, domestic controls should be drastically removed and markets further opened in a manner suitable for "an economic period without borders." There is a need to be "an economic power that is open to the world."

For one thing, this is about time to put an end to the attitude and concept of leaning entirely toward the United States. The book, "A Japan That Can Say No," which stirred up a controversy last year, brought to the surface something that had long remained in the background.

There seems to be a feeling of anxiety in the United States about being economically pressed by No. 2 Japan. A survey conducted last year showed that many Americans consider Japan to be a bigger threat than the Soviet Union.

The important thing now is the building, in a cool-headed manner, of an equal American-Japanese partnership. Both countries should differentiate between what can be and what cannot be done. It is important for Japan to state "No," as clearly as "Yes." Then what has been answered with "Yes," should be carried out by politicians with determination and responsibility.

Attention should next be turned to the European Community which is advancing rapidly toward the creation of a wholy integrated market by the target year 1992.

Japanese enterprises are at present carrying out direct investments in the EC at a rapid tempo. The desire is to enter the EC before 1992 and to establish a position as a supplier in the region.

A strong feeling of vigilance exists, however, on the EC side. It is that Japan might simply take advantage of the merit of the integrated market built up with great effort and cost. In order to overcome this, Japanese enterprises shoudl quickly integrate into the local region and become global enterprises. Japanese markets should be opened widely for a mutual interchange with the EC.

Another way to make the feeling toward Japan more favorable would be to cooperate through Japan's management techniques with the Eastern European countries in the EC's periphery, which are starting to experiment with the introduction of a market economy.

Then again, if Japan endeavors to open its markets further in a way to increase imports from the NIES [newly industrializing economies—FBIS] and ASEAN countries, this will be a big "plus" for the world economy.

When making direct investments in ASEAN countries, if done in partnership with the Republic of Korea and Taiwan, the globalization of Japanese enterprises will be stepped up.

In the 1900s, Japan is likely to become the world's biggest creditor nation as well as financial and technological power. Japan must become a skillful player in the field of world economy.

### Editorial Encourages Rethinking Development Aid

*OW0701021690 Tokyo MAINICHI DAILY NEWS in English 4 Jan 90 p 1—FOR OFFICIAL USE ONLY*

[Editorial: "Development Aid for the Poor"]

[Text] Japan's ODA, Official Development Assistance, is being disbursed at an annual rate of 10 billion dollars, representing about 20 percent of the total aid flowing out of the industrialized countries. How this country should contribute to the world with such enormous sums of money is becoming increasingly important.

A policy statement released recently by the Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD) contains a number of useful suggestions.

With the backdrop of East-West detente making it possible to implement cuts in heavy military expenditures in the United States, the Soviet Union and other countries, the population explosion, poverty and the deterioration of the global environment will become even more serious in the 1990s, according to the statement.

For example, the population of the Third World, where the developing countries are concentrated, will increase by 850 million in this decade. This increase alone is larger than the entire population of the industrialized world, and is likely to accelerate poverty through more urbanization and more slums, while endangering the global ecology.

To halt the progress of such a scenario, the statement calls for "resolute action" by both the industrialized and developing countries, and characterizes the 1990s as providing an opportunity for more advancement than the preceding decade because of detente.

We agree. The coming decade will indeed provide an opportunity shifting at least a part of the world's unproductive military outlays to productive expenditures for development, as proposed by the international wise men's group headed by former West German Chancellor Willy Brandt.

That Japan does not fully reflect this desirable trend in its next draft budget is regrettable, as it is spending more for both defense and ODA.

Japan's aid policy itself must also be questioned. Its emphasis has been on low interst yen loans to developing countries in Asia for major construction projects such as bridges, hospitals and roads. Should it stay on the same track in the 1990s when the population explosion, poverty and environmental deterioration are expected to become more serious issues?

While the DAC statement is directed to all aid donors, it does imply certain criticism of Japan's policy.

First, it stresses that the poorest and the vulnerable should not be forgotten, even thought it is important to boost economic growth in the developing countries by means of assistance.

The Netherlands, for example, uses the following yardsticks in selecting a prospective recipient country; 1) Does it have a large segment of the poorest in its population? 2) Is its government striving for a fair distribution of the fruit of growth? 3) Is it willing to conduct dialogue with the donor? In contrast, as Japan extends aid only on request from recipients, its assistance tends to be diffusive without directing adequate attention to the vulnerable.

Second, the statement emphasizes investment in human resources and participatory assistance in development. The raising of the level of education, particularly among women, is essential in a poor country, so that everyone may take part in health, community and production activities.

The thinking is that richer countries should help raise the basic physical well-being of poorer countries, a critical reminder that although Japan is building ultramodern hospitals in developing nations, it does not care very much for small health centers.

Third, the statement encourages use of non-governmental organizations (NGOs) to promote participatory assistance. Japan is lagging in this respect, as it only started paying subsidies to NGOs from fiscal 1989.

To respond to North-South relations that are expected to come to the fore in the 1990s taking the place of East-West tension, Japan needs to incorporate the above viewpoints in its aid policy, and to confirm, once again, the premise that aid is given to the poor.

## Qualitative Change in Japan's Assistance Noted

*OW1101052990 Tokyo ASAHI EVENING NEWS in English 9 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[ASAHI SHIMBUN 9 January editorial: "Quality of Our Foreign Aid"]

[Text] We cannot help but feel flattered when somebody praises us for what we thought was a fault. That is the impression we get from a recent overseas evaluation of Japan's official development assistance (ODA).

As the nation's new aid money to East European countries shows, a larger part of Japanese foreign aid is made up of loans. Grants which are aimed at having dirt-poor people below subsistence level enjoy higher living standards are a smaller part. Moreover, the major part of the aid has long been "tied," provided on condition that it be used for ordering goods and services from Japanese firms. We should have been hard pressed to answer to charges that Japanese aid was based on an ulterior motive of promoting exports.

Circumstances, however, have begun to change somewhat. At the end of last year, the Development Assistance Committee of the Organization for the Economic Cooperation and Development decided on a declaration on the development aid in 1990's. The declaration calls for promoting sustainable economic growth, promoting development with the participation of the people, and preservation of the environment and holding the line on population, as the centerpiece of development strategies in 1990's.

Other developed countries, on the other hand, have placed greater emphasis on aid for the purpose of people's welfare rather than on economic development, as in the case of aid from Japan.

But little progress has been seen in building up the social infrastructures in African counties, and their economies still suffer from long stagnation. Things are different in Asian countries which received aid for the purposes of stepping up economic growth. Some newly burgeoning industrial areas came into being and have come to be centers of growth in the world economy.

Recognizing that such polarization of countries in the "South" is attributable partly to differences in the aid they received, advanced countries came up with a new strategy in their aid policies in 1990's. And, we suppose, they have come to give high marks to the track record of Japanese help in shoring up the developing economies of Asian countries, even though our program aid still leaves something to be desired.

And yet, we cannot be jubilant. The quality of Japanese aid is as poor as ever. The proportion of grants in Japan's foreign aid and per capita amount of its aid is one of the smallest in the world. It is a task for Japan in the 1990's to provide aid for welfare and growth purposes according to the needs of the receiving countries as well as increase the total amount.

In order to boost Japanese aid qualitatively to a level that equals other advanced countries, it is necessary to provide wide-ranging aid, including transfer of technology in agriculture and manufacturing. It is also necessary to invite the participation of the people in the receiving countries so that its benefits will not be taken up exclusively by a particular group of leaders and bureaucrats.

In providing foreign aid it is not easy matter to pay enough attention to the preservation of the environment. Responsibility for having aggravated the decline of the global environment rests with advanced countries, which industrialized first. Developing countries will not be inclined to comply with the calls from advanced countries for cooperation with environmental protection. That is why they drag their feet in accepting aid for pollution control methods.

Primary responsibility for expenses for environmental protection should, in principle, be borne by advanced countries. But developed and developing countries should consult more closely on sharing burdens for preventing further destruction of the environment. In the government's draft budget for next fiscal year, which will be the basis of Japanese foreign aid in the 1990's, ODA was increased fairly, and some thought was also given to the need for training staff to take charge. Yet the shortage of expert staffing is so serious that it cannot be met by simply increasing the number of workers.

Preoccupation with the need for a quantitative increase in Japanese foreign aid led to the nurturing of the requisite economists specializing in development while other staff increases were put on the back burner. The number of qualified applicants for the Youth Cooperation Corps has also decreased. Though long overdue, 1990 should be the starting point for improving, both qualitatively and quantitatively, the pool of necessary staff members for Japan's foreign aid programs.

## Government's Efforts To Promote Imports Noted

*OW1201011490 Tokyo THE DAILY YOMIURI in English 10 Jan 90 p 6—FOR OFFICIAL USE ONLY*

[YOMIURI SHIMBUN 9 January editorial: "Import Promotion Plant"]

[Text] International Trade and Industry Minister Hikaru Matsunaga left for Washington in an effort to prevent intensification of trade friction which appears to be worsening in sharp contrast to quickly disappearing East-West confrontation.

He did not go empty-handed. Matsunaga took with him the government's "comprehensive import promotion plan." the government has come up with import packages in the past which failed to significantly reduce Japan's trade surplus.

The new plan does have some unusual features. It is centered on import promotion taxation, the first of its kind, which reduces the tax of companies that increase imports. The total amount of the tax reductions next fiscal year will be about Y90 billion.

Also the government has come up with a "grass-root" import promotion plan with a budget of Y14.5 billion. Experts will be sent to each state in the United States to find products which may sell well in Japan and establish import promotion centers throughout Japan.

The government calculates the promotional measures will increase imports by $3 billion in the first year and by $20 billion in five years.

### Private Campaigns

On the private level, makers of cars, household appliances and precision machinery, the main industries which brought about Japan's trade surplus, already have announced targets to expand imports in response to MITI's [Ministry of International Trade and Industry] fears of damage to bilateral relations.

In the Japan-U.S. Structural Impediments Initiatives talks, which started last fall, negotiators have had a tough time trying to work out ways to correct the trade imbalance between the two nations. Therefore, there are high expectations toward the new plan.

However, the government's proposed tax breaks are limited to such duty-free products as semiconductors and computers. In these high-tech fields, Japan enjoys a strong competitive edge. Japan's import expansion effort would achieve more tangible results if agricultural products and textiles, which are protected by high tariffs, were added to the tax break list.

Japan should also expand imports of products which will have strong demand by consumers.

Japan should not promote imports out of consideration for the United States and other trading partners alone. The main purpose of import expansion should be to provide consumers with high quality goods at lower prices.

### Distribution System

In increasing imports, Japanese firms should not seek benefits for only themselves but lower prices at the retail level. At present, importers are enjoying huge profits resulting from economic expansion and the yen's appreciation. They should conduct their business so as to avoid any criticism that they get additional profits from the reduction in tax.

At the same time, it is important for Japan to create a mechanism that will expand the market for imports without governmental intervention. There must be something very wrong with the market mechanism since imports do not increase without government stimulation.

Several major home appliance makers directly import West German wine glasses and U.S. turkeys to sell to their employees at far lower than market prices. These programs should be encouraged. However, a steel maker tried to import U.S. and Australian wine but was told it needed a license to sell liquor.

The problem lies in the fact that imports which pass through the normal distribution system become very expensive at the retail level. What we must do is streamline and improve distribution channels.

## Open Policy for Foreign Labor Favored

*OW0401174990 Tokyo THE JAPAN TIMES in English 1 Jan 90 p 24—FOR OFFICIAL USE ONLY*

[Article by K. Miyanaga]

[Text] What is best for Japan—to continue rejecting the entry of foreign workers or to finally open its door to them?

This question, already a major issue, is expected to affect the Japanese greatly in the 1990s and in the next century.

Prime Minister Toshiki Kaifu says the problem requires full discussion and should be approached from the long-term perspective because of the immense effects it is likely to have on Japanese society, economy and public peace and order.

While the debate continues, the number of illegal foreign workers is steadily on the rise. Last summer saw a massive flow of boat people, predominantly Chinese disguised as refugees from Vietnam, into the country obviously in quest of jobs.

The Justice Ministry estimates that 110,000 foreigners, mostly Asians, are working without official permits, indicating the number of illegal workers has doubled in only 1 ½ years. Most sources point to the wide gaps in income as the main reason for influx.

"Another factor encouraging them to come here is the need of Japanese companies for workers, particularly in factories, eating and drinking establishments and at construction sites," one observer said.

"Knowledge is widespread that Japanese authorities are so lenient toward illegal workers that they can go scot-free or, at worst, be deported," another said in explaining the rise of illegal foreign workers in Japan.

Under such circumstances, the Diet passed a bill last month to revise the Immigration Control Law so that people who hire foreigners without proper working visas as well as brokers for such workers may be fined up to Y3 million or imprisoned for not more than three years. At the same time, the revised law simplified immigration procedures for professional and skilled foreign workers and expanded the scope of qualified workers and residents in this country.

Many companies are dissatisfied with this revision, and citizens' groups have started protesting. They argue that smaller companies suffering from severe labor shortages need foreign labor to survive. Many believe that tightening control in such a way will only push illegal workers further underground.

The Tokyo Chamber of Commerce and Industry and other economic organizations believe it is inevitable for Japan to receive a limited number of unskilled foreign labor sooner or later because labor shortages are likely to become more serious in the years ahead and also because of the fact that as the Japanese grow richer and older, fewer people will want to perform menial and unpleasant jobs.

"After two years of study, we have formally proposed that Japan establish a system of receiving a maximum of 600,000 foreign laborers—about 1 percent of Japan's total labor force—on condition that they return home within two years," said Munechika Go of the Tokyo chamber.

Under the proposed system, foreigners to be qualified as workers in this country must be single and able to understand basic Japanese. They must also be willing to learn skills through working in Japan that will help them in their home countries later. They would be employed for up to two years under the same conditions as Japanese workers.

"The chamber proposes that the Japanese government conclude a labor agreement with each foreign country that sends workers so the system can function smoothly. This is essential to prevent the system from getting out of control," Yoshiaki Yamashita, a spokesman for the organization, said. "It also calls on labor and management to create a special fund that would help foreign workers return home without problems. Employers would pay all the necessary traveling costs."

Those who argue that Japan should accept unskilled foreign labor maintain:

—As long as there exist wide economic gaps between Japan and developing countries, there will exist foreign workers who want to come to Japan. Foreign laborers who are now compelled to slog in poor conditions as illegal workers cannot be rescued until they are legally accepted here.
—Increased contact with foreigners and their cultures will contribute to Japan's internationalization. This can constitute part of Japan's economic assistance and may help Japan ease friction with foreign countries.
—Japan should open its labor market and help promote the liberalization of it on a global scale, because people should be allowed to work wherever they like.
—The Japanese should not forget the fact that Japan's prosperity rests on the cooperation of its Asian neighbors and that Japan itself has in the past produced a very large number of immigrants.

## * Measures Taken To Surmount 'Containment'

*902A0036A Tokyo SEKAI in Japanese*
*Dec 89 pp 220-221—FOR OFFICIAL USE ONLY*

[Text] "Is it true that export growth will be reduced to zero in the future?" "Will it be possible to completely reverse the domestic and overseas production ratio from its current level?"

Recently, in succession, Matsushita Electric Industrial and Nissan Motor Co. Ltd. have announced "trade friction dissolution plans" and caused a big stir in the industrial world. The Matsushita Electric Industrial plan is called an "international cooperation action plan to dissolve trade friction," and Matsushita's President Akio Tanii says, wholeheartedly, "We will set this year as the 'first year for friction dissolution' and within the company we will establish an 'international cooperation

section.'" Specifically, from the present until 1992 Matsushita Group will double its present import totals from 210 billion yen to about 400 billion yen and balance its overseas production total with its domestic export total. In order to realize this, in the future it will increase the importation of semiconductors, component parts, materials, and finished goods and the growth rate of exports will be brought, in effect, to zero. In addition, it was decided that it must raise the now approximately 30 percent overseas production ratio to 50 percent within a 4-year period. This is a major changeover that will certainly change its industrial organization.

On the other hand, Nissan's "international cooperation plan," announced at the end of September, is more drastic. First, toward the dissolution of trade friction, it will decrease exports to a peak 30 percent by 1992, it will curb by half its [car] exports to 700,000-800,000 units by the end of the 1990's, and, in reverse, imports—including component parts, etc.,—will double by 1992. In the latter half of the 1990's, imports will further be doubled so that they will reverse the present 2 to 1 domestic to overseas production ratio to 1 to 1 in 1992 and by the end of the 1990's they will reverse it to 1 to 2.

All along, the voices of encouragement for import expansion have been steadily calling out. In particular, the Ministry of International Trade and Industry [MITI] has, every year since 1985, called together more than 100 key domestic industrial companies and producers and held "import expansion request meetings," and has appealed even to individual firms to strive for [trade] imbalance rectification. However, in actuality, the results have shown little progress and, in regard to U.S.-Japanese trade, the $50 billion imbalance has scarcely shrunk. And lately, once again, even predictions of an increase have begun to appear. Because of this, MITI Minister Kajiyama (in June), in an almost kindly request, asked of local industries, which included 300 key industrial companies, "I want each company to exceed 1988's 30 percent imported manufactured goods total. I ask this no matter what the price."

The policy to correct the trade imbalance up to now has been the opening of the market, the abolishment of barriers of nonduty items, tariff reductions, export regulation, a surcharge implementation, and, even further, to adjust the weak dollar-high yen exchange ratio, etc. This has been the focus of the government's basic macro-policy. However, ironically, at a time when "Japan-bashing" has been going on, the competitive power of the Japanese economy has, on the contrary, become stronger and, as a result, the imbalance has not dissolved, as it was supposed to. Conversely, in many cases it has worsened.

Therefore, in order to establish a policy to correct the trade imbalance with actual results, it can be said a micro-policy, in short, the cooperation of individual enterprises, is indispensable. Toward this and representative car makers and high-tech industries, the "double barriers" who have been responsible for the trade imbalance, have set forth their own medium-and long-range strategy, the "international cooperation plan." The government is very pleased with this model plan.

In the background of the launching of these programs, while U.S.-Japanese relations have become more strained, Matsushita and Nissan, have strengthened their recognition of this problem in the industrial world. "For an industry, if we don't approach this problem seriously, it will become grave," (Matsushita's Tanii). "If both the automotive and electronics industries who caused the better half of the trade surplus, do not work at it, the rectification of the trade imbalance will not improve," (Nissan Motor Co., Ltd).

However, another matter that cannot be overlooked is that MITI may be enforcing powerful administrative guidance on individual enterprises. According to sources in the electronics and automotive world, after the import expansion meetings, MITI, through its departments, has been pressing each industry to create medium-and long-range programs for correction of the trade imbalance. Toward this end Matsushita's and Nissan's announcements have further strengthened pressure on each company, and now, it looks as if conditions are developing in which they must show this very stance. For instance, Toyota Motor Corp. says, "Toyota also intends to conclude, shortly, an international strategic organization with the aim of lowering the export ratio." Even in the electronics world, taking Matsushita's announcement, Sony and Toshiba are said to be studying this approach.

However, within this fixed-policy plan, what is troubling each company, is that since there will be limits in the increase of foreign-made imports, ultimately, if a company tries to balance exports-imports, with the establishment of factories abroad, exports will drop and the only means left will be to increase, in reverse, imports from overseas factories. If they establish such strategies, according to one manufacturer, "A company, at present, has an overseas production base in 20 or so places, but—in balancing exports-imports—that company in the future must still build 20 more factories overseas." And this, they say, will mean an end to the profit-making of the company.

Once again in America, the argument over Japan's automobiles and high-tech threat has increased and in Japan, because of powerful administrative guidance, the prominent electronics and automotive industries, more and more, appear to have their backs to the wall. Will they really be able to avoid such guidance merely by a strategy of shifting to overseas production? If they go too far, domestic production may suffer, and if, as overseas production increases, there is a rush to M&A's [mergers and acquisitions], this may cause difficulty. Moreover, even though the internationalization of money and materials is easy, can the internationalization of human resources really be accomplished? Even though a paper plan can easily be adopted, when it comes to phased-in implementation, in the case of slight movements of the

exchange rate, etc., which control the success of these plans, the obstacles can be great. Amidst the argument of "Japanese containment" which is growing, Japan's international cooperation policy appears to be taking steps to involve individual enterprises.

## * Changes in Financial World Examined

*902A0035 Tokyo AERA in Japanese*
*14 Nov 89 pp 6-11—FOR OFFICIAL USE ONLY*

[Article by editorial staff writer, Hirai Nagaaki: "The Phenomenon of Disintegration of the Financial World Seen in the Japan Federation of Employer's Associations—The Lonely Holy War of Don Eiji Suzuki"]

[Text] "Banks are outrageous." "The JSP [Japan Socialist Party] is deceiving the Japanese people." Lately Chairman Eiji Suzuki of the Japan Federation of Employer's Associations [hereinafter Nikkeiren] is attacking people recklessly. It is a "holy war" that runs against the current of the times. It may be a sign that the financial world has lost its past glory and begun to disintegrate.

### Losing Face by Continued Violations; Recruiting Agreement Has no Firm Footing; "Employment Agreements Are Like the Traffic Signs on Expressways"

Banks, securities, metals, machinery, energy.... Ask the person in charge of hiring at any company whatsoever what will happen in next-year's recruitment battle, and you will invariably get this kind of answer.

Even if the sign says "100 kilometers per hour," not many people will obey it. If you exceed it by about 10 kilometers, they will overlook it. Even if you exceed it by 20 or 30 kilometers, it will be all right as long as you do not get caught. The circumstances are such that the personnel manager for a major nonferrous metals company declares "after all, it is a guide that is meant to be broken," and when it comes to a major oil company, it promptly makes a "declaration of war," saying "if others violate it, so will we."

This year's recruitment battle, which is said to be the greatest sellers' market in history, is entering its final stage, so companies are beginning to move toward next year's hiring. Since they enjoy the favorable wind of good business conditions, there seems to be no likelihood that companies' enthusiasm for hiring will decline next year either.

If it were up until last year, continuation of the recruiting agreement would have already been agreed upon. Even Yasuichi Ogawa, managing director of the Japan Federation of Employer's Associations (Nikkeiren), the manager of the recruiting agreement, says with a half-resigned expression, "Unless company presidents make up their minds on what to do next year, they will have no firm prospect of establishing an agreement. This year was too awful." Even if an agreement manages to be concluded, since the side which does the employing is like this, it is certain that as much or more confusion will arise as last year.

This year, the agreement that was somehow adhered to for the last several years, ended up being completely undermined. The "culprits" are such financial institutions as banks, life insurance companies, and nonlife insurance companies.

### Summoning Students on the Day After Reaffirming Adherence to the Agreement

The ban on student visits to companies and company recruitment seminars was supposed to be lifted on 20 August. However, a "secret struggle" had begun 2 months earlier beneath the surface.

At the end of June, the information that "financial institutions will go into action all at once when general stockholders' meetings, which are being held on the 29th of this month, are finished" appeared over and over again in "recruiting agreement number 110," which was prepared by Nikkeiren.

On the morning of the 10th, Chairman Eiji Suzuki, who saw it as an emergency situation, hastily assembled persons responsible for 17 companies such as major city banks, and they decided unanimously (1) to once more observe the agreement and (2) to make public the companies that violate the agreement. The Nikkeiran set its mind at ease.

But it did not work out that way.

The week of the general stockholders' meetings, most university seniors who were waiting to find jobs were tense and beginning to waver, thinking it seemed likely that there would be some move. They did things like contacting their homes any number of times a day, and checking answering machines to see if there had been a call.

In the case of Mr. A, a Waseda University senior (23 years old), beginning on the 29th communications from financial institutions that up till then had said they would not meet him became intense. On the morning of the 30th, a certain nonlife insurance company asked him to come on the following day. But late that night it reversed itself by telephone, and cancelled the appointment, saying that because of Nikkeiren pressure it could not do anything that would stand out. But on 1 July it changed once more to "we will do it, come what may; please come for an interview." On that day, up to 2 o'clock the following morning, there were seven telephone calls just from financial institutions. As soon as he ended one, the phone would ring; one after the other they said "come on the 2d."

On the night of the 1st, a telephone call came to Managing Director Ogawa from Kuniji Miyazaki, chairman of the Federation of Bankers Associations of Japan.

Miyazaki informed him that "Breaking of the agreement has gone ahead all at once. It is like an emergency evacuation; our company has to join in too," and Managing Director Ogawa, too, said in reply only "I heard what you said."

**Navy-blue Suits in Marunouchi; 13 City Banks, 13,000 People**

It is 2 July, Sunday. In the Marunouchi office district, which would normally be quiet, students wearing navy blue dress-for-success suits began gathering in droves from just after 6 o'clock in the morning. Nikkeiren estimates that about 1,000 students from such universities as Tokyo University, Hitotsubashi University, Waseda University, and Keio University were summoned per company. That makes about 13,000 just by the 13 city banks. There were also city banks which instructed the students to come to their headquarters at 7:30 in the morning, and financial institutions which assembled them in hotels by university. Nikkeiren Managing Director Ogawa and his group warned bank staff on the spot, and telephoned personnel managers, but without effect.

Students were instructed by the companies to say "it is arranged for me to first come and meet some old boys."

There were also many students who were told "you won't have to go anywhere else." In point of fact, it was a "decision on hiring of the utmost informality." Moreover, that day was also the day of the first examination for national public service workers. In reality, the promise of the National Personnel Authority and business circles to make it possible for students to take the test also ended up becoming null and void.

It is a total loss of face for Nikkeiren, which has prided itself on being the "general headquarters of the financial world" in the aspects of employment and labor.

**He Suddenly Raises His Voice, Saying "Bankers Are Extravagant"**

Chairman Suzuki is ordinarily a man of few words. Nor is speaking his strong point. He gets along well with people, and is also said to be a good listener. His hobby is caring for plants. When this mild-mannered gentleman talks about the recruiting agreement, he suddenly raises his voice and becomes vehement. "Bankers receive high salaries and are extravagant. They work in palaces and control students by the power of money. I, myself, was in the accounting field, so I have spent tens of years hosting bankers at drinking parties in order to get loans."

He made this statement at a press conference in September, when the agreement collapsed. And at a Nikkeiren seminar for top management at which managers from major enterprises gathered at the end of August, he criticized by name, saying "the recruiting agreement is a gentlemen's agreement, not a law, but it is said that there are no gentlemen in Japanese companies. This year the overstepping of bounds by financial institutions was conspicuous."

On each such occasion, Chairman Miyazaki of the Federation of Bankers Associations of Japan telephoned the executive of Nikkeiren and said "I would like to inquire as to the real intention." The reaction in banking-industry circles against Suzuki's statements was furious. However, they also had a guilty conscience because they broke the agreement. Their aim was to put a stop to the statements quietly.

[begin boxed item on p 8]

**The Counterargument of Kuniji Miyazaki, Chairman of the Federation of Bankers Associations of Japan; It Is Wrong for an Honest Man To Be Making a Fool of Himself**

Here and there financial institutions are criticized by name over the breaking of the recruiting agreement, but at that time information was flying around haphazardly, so it is impossible to say for sure what company was the first to break the agreement. I would like to express our regret at having broken the agreement. But I would like to stress the point that even in the breaking, there is a difference between places that actively violated the agreement and those where it was an unavoidable emergency evacuation. There was the sense of wanting to observe the agreement, and the worry of how to secure persons of talent in an ultra seller's market. There is a problem in a system in which an honest man makes a fool of himself. Last year, banks that observed the agreement suffered a loss.

Nevertheless, an agreement is necessary in order to prevent making advance contracts of employment with university students who are due to graduate in the following year. Therefore, we must base it on the view that human nature is evil, and strengthen the supervision system in such a way people cannot start before the proper time. In addition, we would also like to extend the agreement to all leading companies, and particularly to the mass media.

On the question of hiring science and engineering students, I think that, as Chairman Suzuki says, the mainstream of the Japanese economy is industrial foreign trade, and that such service industries as banks are supporting players. However, financial institutions "being hosted" is a thing of the past; nowadays we humbly plead with companies to get them to borrow from us. Even so, because of inflation, there are some cases in which what we get back is, in real terms, worth one-half of what we loaned out.

Because of the rapid increase in utilization of computers, and the growing importance of high technology, the sense of science and engineering majors has become indispensible to financial institutions too. It is necessary to balance hiring of science and engineering students

skillfully with manufacturing industries. Please understand that financial institutions do not possess factories and machines, so persons of talent are their lifeline. [end boxed item]

Chairman Suzuki's real reason for attacking them so fiercely lies in other "recruitment friction" that surfaced in the course of the agreement problem. It is the fact that science and engineering students accounted for about 10 percent of the overall staff that was hired unofficially by the top six city banks. It is a so-called flight of science and engineering students from manufacturing industries.

"What is the purpose of their knowledge if they learn metallurgy and are in charge of accounts at a bank window."

"It is impossible to provide for 120 million people by tertiary industries alone. The big role of tertiary industries is to assist secondary industries; persons of talent from science and engineering are also indispensible to manufacturing industries in order to survive in competition with NIES [Newly Industrializing Economic Societies]."

There is even a feeling of pathos in the statements of Chairman Suzuki, who has served in the largest chemical company, Mitsubishi Chemical Industries, Ltd. In other economic organizations, with Keidanren as the pinnacle, "a transformation into a good-friends' club" has been going on, so people cannot indiscreetly act unsociably within the group. Managers of tertiary industries, which continue to grow, also assume important posts, and it is also difficult to know how far they stress the logic of manufacturing industries. Chairman Suzuki's irritation is also increased by the fact that, somehow, everyone is keeping silent.

The great economic powers of the world have followed a path in which in the period of their rise they were founded on industry, and in their mature period services became more important, and they were founded on finance.

**Nikkeiren and Rengo [National Confederation of Trade Unions] Are Twins; Unrefined and Out-of-date**

"I do not think that Japan, alone, will be able to stave off this current. But America was ruined because its manufacturing industries lost their strength. I would like to postpone the decline of Japan's manufacturing industries a long as possible. Nikkeiren will be the last stronghold."

It is a lonely battle.

Nikkeiren, "the financial world's Labor Relations Department," was formed for the purpose of confronting the postwar labor movement and carrying through the logic of management. What increased its "glory" was unions' "transformation into company unions," and the "principle of the productivity standard" for the purpose of breaking the vicious cycle of prices rising if wages rise. But more than 40 years have passed since it was established, and if it succeeds completely in these two, it will cease to have any reason for existence.

"Nikkeiren and Rengo are twins in a manner of speaking. Therefore, if you watch the actions of labor unions, the deterioration of Nikkeiren's base will be very clear."

This is how one Rengo executive explains it.

First of all, labor unions. They are unrefined; they are out of date; they do not appeal to young people. The drop in the ratio of people joining the organizations shows this. Unification of the labor front is a matter of abandoning abstract polemic centered on ideology, and addressing oneself to enhancing the quality of workers' lives. But it still does not work as desired.

When one turns the change in the labor movement inside out, one gets the position of the Nikkeiren. If the power of general labor, which became the haves, weakens, the power of the headquarters of general capital, which lost its enemy, will also weaken. If one brandishes the same kind of logic as in the past, it becomes out of date. In the past, those in charge of labor affairs, who fought many battles in confrontations with labor unions, were on the shortest paths to advancement in their companies, but since the period of high-growth, "finance", and lately "planning", have become the mainstream for producing company presidents. The age of labor affairs is ending.

And it has become an age in which the "twins" hold tightly to each other's hands.

Nikkeiren and Rengo will lease farmland in Tokyo and construct rental housing. They say that they will jointly attend to the worries of salaried workers who do not own homes.

"The company is making money, so it should be able to pay more." "Not at all, the climate is harsh, so this is the limit." In February of this year a total of 28 persons of the department manager, deputy manager class who are in charge of personnel at major enterprises formed into groups of five or six and were assigned such roles as labor-union committee chairman, factory director, personnel executive, and company president. They fiercely debated salary increases. The main point of the "seminars on pay" which Nikkeiren has been holding twice a year for the past 4 years is the business game of a mock spring labor offensive.

[begin boxed item on p 9]

**Nikkeiren: A Large Organization With 31,000 Member Companies**

After World War II, GHQ (General Headquarters of Allied Forces) planned that Japan's democratization would come through labor unions. Managers, who sensed a crisis, established Nikkeiren in 1948 under the slogan "Managers, be strong and upright." They hammered out a "Nikkeiren that would fight" on labor and

social problems from the standpoint of managers. In the Mitsui-Miike debate of 1960, which was called the showdown between general capital and general labor, it strongly supported the company side, and drove a wedge into the postwar labor movement.

In regard to the wild prices after the oil crisis, it established the guidepost of "single-digit wage increases" in order to prevent inflation, and brought spring-offensive wage negotiations under control. Forty-seven regional organizations, such as managers organizations from each prefecture, and 53 industry organizations, such as the automotive industry, pulp/paper and so on, belong to Nikkeiren. There are 31,000 companies under its umbrella, and the number of their employees reaches one-third of all employed persons. [end boxed item]

Pressure to raise wages to a level with the going rate and level throughout an industry is rising, and companies are asking how to determine personnel costs, which account for as much as 60 to 80 percent of gross revenue, in a manner matching "company strength." It shows that the pattern of many years standing of confrontation between the company side, which holds wages down, and the union side, which fights to raise wages, has changed into a time when labor and management discuss things on the same ground of "company development."

There was even an inquiry from the union executive section of a major company. The person in charge, said that, as might be expected, the company side did not respond, and did not give its approval to the union side.

"Now that it has succeeded in changing the labor movement which burned furiously after World War II into something with which we can work, Nikkeiren has already ended its role, has it not?"

One of the members of the financial world's theoretician faction now repeats an observation from more than 10 years ago.

The policy to control wages has also come to a crossroad. Immediately prior to the 1989 spring offensive, which was called a "spring offensive with the favorable wind" of good business conditions, Chairman Suzuki attacked the Economic Planning Agency, saying "it is inappropriate for a responsible government agency to publish the sort of thing that will lead to irresponsibly high wage increases."

**Complete Devotion To Restraining Wage Increases; Domestic and Foreign Pressure Intensifies**

The monthly report of the Economic Planning Agency published an article which said "it is estimated that the rate of the salary increase in the current spring offensive will be 5.9 percent, surpassing last year's 4.4 percent by about 1.5 percent." At the end of 1988 as well, a government document stated that "a wage increase of 7.5 percent was possible in last spring's offensive." It appeared to be a feint to discourage adherence to Nikkeiren's principle holding to a productivity standard, saying that nominal wages should be raised within the scope of enhancement of productivity.

The policy to restrain wages raised people's assessment of it by holding the large wage-increase of 32.9 percent in the 1974 spring offensive at the time of the first oil crisis to 13.1 percent in 1975, and to single-digit 8.8 percent in 1976, breaking the vicious cycle of increases in wages and prices. After that, the principle of the the productivity standard became a pillar of the policy to control wages.

However, as economic growth led by domestic demand came to be sought from throughout the world, pressure also intensified. In the last few years, in the Economic Planning Agency and so on there has been dissatisfaction that labor's relative share, which is on the low side, has become an impediment to expansion of domestic demand. In regard to the shortening of working hours, too, far from approaching the government's goal of 1,800 hours per year, it is unable to get below 2,000 hours. Becoming impatient, even the Ministry of Labor supported the labor side in the spring of 1989, saying that shortening hours would amount to an Y8 trillion expansion of domestic demand.

Two years ago, Chairman Suzuki quoted from the poet Basho at a press conference on the occasion of his assumption of office. "Immutable for 1,000 years; popular for a short time." It is said to mean that truth does not change, but that one should respond in a flexible manner, according to the times.

**Nikkeiren Chairman Eiji Suzuki Speaks Out; I Would Be Troubled by a Financial World That Does Not Speak Out**

[AERA] Your harsh statements criticizing banks, which broke the recruiting agreement, and the JSP [Japanese Socialist Party], attract attention. There are those who praise it as the revival of a fighting Keidanren, but the voice of those who question your sense of the times is also strong. What is your view?

[Suzuki] Everyone, including the mass media said that I am less of a hard liner than Otsuki, who preceded me in this post, and I did not deny it up to now because there was no need to do so. However, starting with the rapid advance of the JSP, I came to feel a sense of crisis that things must not go on in this manner.

The support for the JSP is a matter of mood; it reminds me of former political mass movements which criticized the financial cliques and so on. But the JSP does not make clear in its platform that it attaches importance to a market economy. I thought it was extremely important to protect the liberal economy and prevent a turning back. If you call it the logic of general capitalism, that may be so.

In regard also to the hiring of science and engineering students, it was precisely the manufacturing industries that asserted that they can support 120 million Japanese.

To be sure, when we look at the rise and decline of major powers in world history, it passes through the processes of active work of making things in the period of prosperity and sedentary work of services and so on in the mature period.

There seems to be no likelihood that Japan alone will be able to stop this trend. But when we look at the change in U.S. manufacturing industries, we want somehow to postpone deterioration in Japan.

[AERA] The labor movement has quieted down, and the line of labor-management cooperation has taken root, so has not Nikkeiren finished its role?

[Suzuki] Whether it be worm medicine or treatment for smallpox, if the illness spreads pharmacists and doctors become popular. If the illness is wiped out, people no longer have use for them, do they? To be sure, this kind of dilemma does exist.

But this is what I think. The simile is bad, but in a civilized society, if one bacteria disappears, other bacteria emerge one after the other.

Speaking in terms of the labor field, there are the problems of the realization of the welfare state, and the increase in the number of people who lack spirit. In a time of internationalization, there is also the question of what to do about Japanese style management. In order to enrich the lives of salaried workers, it is also necessary for labor and management to cooperate to lower prices and increase the supply of land for housing. We are groping to create a new outlook that matches changes in industrial structure.

[AERA] The decline in the base of the financial world, including also Nikkeiren, is striking. Would you care to comment on that?

[Suzuki] Clearly the base has declined. It is probably true that people with backbone, who are impressive as in the old days have disappeared. But I think it is possible, even now, to go on guiding intellectually a Japanese economy that has become more and more difficult, and that is also the context in which I am fighting. If I include self-examination in what I say, I would be troubled by a financial world that does not speak out. I think it is precisely by voicing all sorts of opinions to each other, that variety and diversity will increase, and the interest of the business world will exist.

**The Age of Salaried-Worker Managers; Strong-minded Leaders Have Vanished; They Humbly Give Out Money**

The term "financial world" has no clear definition, but the explanation accepted by the greatest number of people is that it is activity of businessmen outside the framework of individual companies. The base of that "financial world" has deteriorated. Keidanren Honorary Chairman Toshio Doko, who died last year, was said to be "the last member of the financial world." Because, with the death of Doko, such strong-minded leaders as former Japan Chamber of Commerce and Industry President Shigeo Nagano and former Nikkeiren Chairman Takeshi Sakurada, who died a few years ago, had all vanished.

Doko continued to preach the necessity for administrative reform, and marched into the prime minister's official residence and pressed him with "angry shouts." Nagano inaugurated a system of no-collateral, unsecured loans for small businesses corresponding to agricultural subsidies for farm villages. Sakurada hammered out the single-digit guideline for countering the large wage increases after the oil crisis, and achieved peaceful negotiations.

Lately there are no members of the financial world who possess such drive and backbone. In the situation of the sudden strength of the yen, members of the financial world did not act as a team even in seeking a policy to deal with expansion of domestic demand. In regard to the Recruit scandal, in spite of the fact that distrust of companies and distrust of the government increased, until recently the financial world was clearly unable to work out a policy to deal with it.

Concerned persons explain that it is because the flow of people and money has changed.

Now, when the economy has grown and become multipolar, it has become the age of the second-generation salaried-worker manager who excels in ability to coordinate, rather than in individual character. Keidanren Chairman Eishiro Saito, too, at Nippon Steel Corporation served under two prominent figures, Nagano and the late Yoshihira Inayama, former chairman of Keidanren, and was for many years also number two in financial world activities. Though he excelled at laying ground work, he did not, himself, take the lead.

It is also pointed out that it is also depressing that second-generation managers who had been recognized by themselves and others as future stars of the financial world: two deputy representative secretaries of the Japan Committee for Economic Development, Ken Moroi and Jiro Ushio, and NTT Chairman Hisashi Shinto, who was said to be a cherished disciple of the late Doko, left business circles because of the Recruit scandal.

Things are different on the money side, too. The political contribution from the financial world is approximately Y12 billion per year paid through the Kokumin Seiji Kyokai [National Political Association]. But when everything is added up it amounts to all of Y144 billion. The amount that each enterprise pays humbly, hoping for benefits in return, and so on, has increased greatly. And raising money through the party, which does not depend directly on the financial world, is also thriving, and the financial world's influence has weakened as the channel of funding has narrowed.

**Toward Realization of an Affluent Life; Its Reason for Existence Is Questioned**

It is partly because its "goal" has disappeared that the Nikkeiren, which aimed at the breakup of the labor movement, and having attained its goal, is losing its turn as a "kingmaker." The Japanese people are becoming affluent, and the feeling of rivalry between the financial world and the masses is disappearing. Moreover, Japan is extremely strong competitively, so even if the financial world does not display leadership, companies have no trouble at all.

If it appears that there is nothing more to accomplish what will standout is "the aging of its leaders." The average age for such Keidanren executives as the chairman and deputy chairman is 74.4 years; for the Japan Committee for Economic Development, which is considered to be made up of younger leaders, it is 66 years. In spite of the fact that the structure of the Japanese economy has changed, people who are products of manufacturing industries still make up the main core of the financial world.

It has begun to be apparent in the financial world that things cannot stand still. New goals are such things as reduction of the trade surplus, improvements in lifestyle giving people a real sense of affluence, and correction of the difference between the haves and the have nots. Judging from the fact that diligence and a sense of equality are the foundation of the strength of Japanese industry, things cannot be left just to political and bureaucratic circles. Keidanren will probably put efforts into research on overseas investment, and Nikkeiren, together with Rengo, will probably aim at lowering prices.

[begin boxed item on p 11]

**Interview With Eishiro Saito, President of Keidanren; I Am the Financial World's Houseboy**

[AERA] Is it not true that the financial world is unable to work out an effective course at a time of sudden changes in the economic environment? With Keidanren, the Japan Committee for Economic Development, the Japan Chamber of Commerce and Industry, Nikkeiren and the Kansai Economic Federation, there are too many economic organizations. Would you care to comment on that?

[Saito] In the old days, saying things like "the prime minister came to pay his respects," or "I sent for the minister of such and such" was looked upon as though it were the power of the financial world. It seems to be said that now the financial world's base has declined compared with that, but I think that things have ceased to move unless led jointly. The trend of the world economy is for the five leading countries to go on deciding correction of the strong dollar, etc., which England and America have dominated. The same is also true of managing Japan's economy. I think it is the age of cooperation of five economic organizations, to put it in my own way, the age of the "B-5" system, taking the initials from business and five circles.

Nor can one say that the financial world's power has declined. We make joint proposals on political reform, and speak freely even to the prime minister. We have close cooperation with the government and the Liberal Democratic Party. Cracks are considered to have developed in the monolith of the financial world over the consumption tax and the thesis of two major parties in regard to the recent rapid advance of the JSP, but there is agreement on the basic part, the points of protecting a liberal economy and revising the ratio of direct to indirect taxes. Matching the times, we are forming such things as committees on overseas investment and culture, and are also having people from the tertiary industries of distribution and finance assume important posts.

In discussion also on financial-world administration, there was, for instance, formerly a suggestion that Keidanren and Nikkeiren unite. But in the adjustment of labor-management relations, as one might expect, it is every man to his trade. I think that today, when the scale of the economy has become vast, each is functioning satisfactorily in its respective role, including also other organizations.

Though a forest is all the same when you look at it from the outside, it has both withered trees and growing trees. The same is true of the financial world. But since Keidanren has the role of putting things in order, it has the aspect that unique opinions do not emerge. With domestic coordination, and visits of important people from overseas, my schedule is broken into 15-minute periods. I am more a "houseboy" than a "prime minister of the financial world."

**Government to Revamp National Bond Bidding System**

*OW1101081190 Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Jan Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The Finance Ministry has decided to introduce a perfect bidding system for long-term national bonds, with a repayment period of 10 years, in April 1991 at the earliest, and this decision is aimed at further speeding up participation in Japan's financial markets by foreign financial firms and meeting demands from the United States and other nations. Out of consideration for foreign nations, Japan has already issued short-term national bonds with a repayment period of 3 months, and the ministry plans to revamp the present monthly issuance and repayment system. Shifting to a perfect bidding system for national bonds has been a pending question and if it is settled, this will lead to resolving friction with the United States over the issuance of national bonds in Japan.

There have been frequent disputes between Japan and the United States over the issuance of national bonds in Japan. The United States has strongly asked Japan for

the introduction of a perfect bidding system on a competitive basis. Foreign-affiliated banks and securities companies in Japan have pointed to the fairness in making decisions on flotation prices and an increase in their underwriting of national bonds. In a bid to meet this request, the Finance Ministry put 40 percent of the national bonds issued in April 1989 on price competition bidding, and plans to increase its share to 60 percentage in October this year.

Voices for the adoption of a perfect bidding system in Japan still remain strong in the United States. With the smooth progress in tax revenues, however, the amount of issued national bonds has been sharply reduced. The Finance Ministry has decided to take steps to introduce the perfect bidding system, because no massive issuance of national bonds and "no difficulties in selling them are anticipated in the future."

## * Changes in Distribution System Discussed

*902A0027A Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Nov 89 p 27—FOR OFFICIAL USE ONLY*

[Article by Yoshida Harushige, Industrial Bank of Japan managing director]

[Text] (1) The Japanese distribution system, which is said to be not only multilevel but also complicated, can be seen to have distribution routes of various lengths depending on the product in question. Furthermore, there exists a logical reason which determines the length of the route.

(2) Affiliation has become the bottleneck of the distribution routes and their liberalization has been delayed. However, affiliation itself is the product born out of the severe competition in the Japanese marketplace.

(3) Even in this Japanese distribution system, in the midst of ever-increasing diversification of clients' needs, changes can be seen. And these changes are in two directions. In the field of production goods and intermediate goods, affiliation is progressing. In the field of consumer goods, manufacturer dominance of distribution is lessening.

(4) It can be said that the points of access to the Japanese marketplace for America and others who are criticizing the difficulty of participation in that marketplace are, in a word, active use of the advantages of affiliation and tie-ups with major mass retail stores.

### Various Routes Determined by Attributes of Products

At the second meeting of the Japan-U.S. Structural Conference to be held on the 6th and 7th of this month, the Japanese distribution system will be the focus of criticism by the U.S. side. They contend that the system hinders access to the Japanese marketplace not only because of its complicated structure and exclusivity, but also because of the business customs peculiar to Japan.

Accordingly, we carried out a survey of the actual conditions for the distribution of products centering on consumer goods and intermediate goods. (See chart) The products which became the subject of our survey included six intermediate goods such as steel materials and electrical wire. Also included in the list were 12 consumer goods such as apparel, electrical appliances, automobiles, and so on. In the category of production goods, only one, machine tools, was considered. In total then, 19 items were surveyed.

First, concerning the complexity and multilevel structure of the distribution system, we found it impossible to state unequivocally that the system is long, therefore complex, because if there are items for which the channel is long, there are also those for which the channel is short.

The length of the route is influenced by 1) the characteristics of the product, 2) the competitive conditions of the marketplace, 3) the structure of the industry concerned, and 4) the situation of the consumer world and the consumption structure.

For example, since shipment costs for such heavy things as steel materials or cement mount rapidly, there is no alternative except to make the route short. Also, since freshness is demanded for such processed meats as ham, it is necessary to make the route as short as possible.

Products such as copiers for which after-service such as upkeep, repair, and supply of toner are considered necessary require the establishment of service offices which can offer convenient after-service. If not done, the copiers cannot be sold. In the case of automobiles and electrical appliances, the manufacturers' distribution channels are strictly controlled. They have firmly established distribution routes for their "family" of stores. Therefore, the route is generally short.

In the case of cosmetics, on the other hand, makers and users are scattered throughout the country. Therefore, it is necessary to depend on commercial agents and secondary agents for stocking functions, shipping functions, financial transactions, and even for gaining an understanding of users' needs for the product planning function. For these reasons, the distribution becomes long. It can be seen therefore, that there is a logical reason for the existence of long distribution routes.

The problem is whether or not these long and short distribution routes are truly open. In answer to this, it can only be said that the Japanese distribution system for a large number of products is tinged with exclusiveness, keeping products of other makers out. The reason for this can be found in the fact that most distribution routes are affiliated. In the case of Japan, the majority of makers have a monopoly or have established their own outlets. Further, most special contract stores and agents have also been made affiliates. It can be said that automobiles and electrical appliances are a typical example of this. To strengthen and support this affiliation, support from the maker to its channel members

includes investment or the "loaning" of human resources. Further, such routine practices as rebates and cooperation in financial settlement function as the glue which bonds makers and distributors together.

**Elevation in Demands Creates Changes in Both Directions**

There are two reasons lying behind the general affiliation. First, because there is fierce competition between makers and because there is difficulty in distinguishing between products, it would be impossible to sell one's own products completely if things were left only up to distributors. If there were no competing products, there would be no problem. However, in highly competitive Japan, existence of such a thing is not possible.

Second, there is the fact that the demands and orders of consumers are extremely inflexible. To carry out sales while fulfilling the needs of clients, it is necessary for the maker to bear the responsibility himself. In Japan, simply manufacturing "something" is not the end. This system is designed so that the maker will see his product through to its very end.

In light of this, even if Japan's competitors were able to establish their own distribution routes and use them as an opportunity for imported goods, to sell those products in the face of domestic products would require expenditure of enormous funds for publicity or the use of numerous sales representatives and requests for sales cooperation. Without using such techniques, only slight success would be achieved.

After all is said and done, the most effective and strong sales strategy that foreign makers could undertake would be to develop a distribution system of affiliates.

Affiliation exists because it is something which cannot be eliminated from the sales strategy. If there are any problems associated with affiliation, the following two could possibly be given.

First, a particular affiliate system denies the existence of other systems and also denies the existence of various other distribution systems. Second, affiliation brings with it near illegal monopoly. Both fall within the limits of the antitrust laws. Therefore, this is a problem different from the merits of affiliation.

However, this type of Japanese distribution system, which also lies within the vast environment surrounding Japanese manufacturing and industry, is gradually changing. The change is moving in two directions.

First, in relation to the areas of intermediate goods and manufactured goods under the direct direction of makers, development of distribution channels is becoming stronger. This is characterized by refinement in affiliation and shortening of the channels.

The second direction, which concerns consumer goods, is the opposite of the first. It shows movement toward a relaxation in maker control of distribution. The most important factor leading to these changes is "customization," or the response to the diversification and elevation of clients' needs.

In the area of intermediate goods such as steel materials and electrical wires, clients are demanding that existing wholesale distributors have a product lineup including small amounts of a large number of different varieties and an even higher level of machining capability. On the other hand, along with the ever-increasing fierceness of competition, makers are taking a stand which places importance on the sales development function and product planning function of wholesalers.

Among middle and small size secondary wholesalers or speciality wholesalers who cannot sufficiently answer such needs, there are those who have been dropped from the channel of movement. The so-called "extraction" phenomenon is in evidence.

In the area of consumer goods such as apparel and electrical appliances, also, the selection standard used by consumers to determine where to go shopping is changing. This change has been brought about by the increased diversification and refinement of consumer needs. Concretely, the direction in which it is moving is to place greater importance on multiplicity such as the extent of product selection and economics, conveniences such as parking facilities or length of operating hours, and even the atmosphere of the actual place of sales.

Therefore, while the market share dominated by department stores and supermarkets, volume retailers and convenience stores is increasing, that of small businesses and middle or small size speciality shops is inevitably shrinking.

**The Key Lies in Cooperation With Major Volume Retailers**

The result, then, is that for consumer goods, the control power of the distributors is ever increasing. Further, the large electrical appliance makers which have developed sales strategies with their family of small retailers as the hub of their system are being requested to develop new countermeasures to bring vigor back into their family of retailers. A crisis has arisen among the makers' affiliates.

What is increasing this trend even more is the increased international quality of product procurement and the movement toward an information economy. Spurred on by appreciation of the yen and intensification of trade friction, distributors are actively engaging in developmental importing and grappling with imported goods in order to strengthen mainly their lineup of consumer goods and maintain price competitiveness.

On the other hand, as the multi-varied small product lineup and the consumer buying habits that have made it possible grows, the frequent delivery of small lots continues, and progress in rationalization of distribution and more efficient management of products through the use of information processing equipment is becoming a

substitute for the inventory management function which up until now has been mainly borne by wholesalers and for the function of proffering information. This has also, by way of the intermediate distributors, become a factor which is helping to weaken channel domination by the makers.

When seen in this way, the access point of foreign goods to the Japanese marketplace for 1) production goods and intermediate goods is the construction of affiliated sales routes and for 2) consumer goods is tied up with major volume retail stores which are gradually taking over control of the distribution routes or the direct entry into the volume retail store field.

The American side is very critical of affiliation. However, to sell products in the Japanese marketplace where the eyes of consumers are very discriminating and the competition fierce, it might be said that it is necessary to understand what lies behind affiliation and, instead of criticizing, put to active use the advantages of that system. One thing standing in the way of advancement into the field of the giant retailers was strength of the far-reaching restrictions imposed by the small retailers law (large retailers law). Enforcement of this, however, is moving toward relaxation.

**Actual Conditions of Major Distribution Systems**

| | Length of Distribution Channel | Degree of Affiliation | Degree of Influence of Business Customers |
|---|---|---|---|
| (Intermediate Goods) | | | |
| Regular Steel, Rolled Steel | Short | Δ | 0 |
| Electrical Wires (Construction, for sale) | Long | Δ | Δ |
| Cement | Short | Δ | 0 |
| Plastic Rosin | Long | X | 0 |
| Kraft Liner | Short | X | 0 |
| IC (Integrated Circuits) | Short | X | 0 |
| (Consumer Goods) | | | |
| Aluminum House Building Materials | Long, Short | Δ | 0 |
| Apparel | Short | 0 | X |
| Cosmetics | Long | 0 | X |
| | Short | X | X |
| Toiletry Products | Long | 0 | X |
| | Short | X | X |
| Electrical Appliances | Short | X | X |
| Personal Computers | Short | X | 0 |
| Automobiles | Short | X | X |
| Cameras | Short | 0 | X |
| Copiers | Long | X | 0 |
| Processed Meat | Short | 0 | 0 |
| Beer | Long | 0 | 0 |
| Gasoline | Short | X | Δ |
| (Manufacturing Goods) | | | |
| Machines Tools | Short | 0 | Δ |

Note: Degree of Affiliation (0: weak; Δ: one part affiliated; X: Strong) Degree of Influence of Business Customs (0: Small; Δ: Somewhat an influence; X: Large)

In conclusion, the points around which the Japanese-U.S. Structural Conference shall most likely revolve are the elimination of the illegality of affiliation as seen from the viewpoint of the antitrust law and the forwarding of relaxation of the restrictions so that a diverse distribution system could become possible.

### * Security Agency Analysis of Radical Groups

*WA0401040090 Tokyo SANKEI SHIMBUN on Japanese 24 Dec 89 p 5—FOR OFFICIAL USE ONLY*

[Excerpt] On 23 December the Public Security Investigation Agency published its "Retrospect and Prospects Concerning the Domestic and Foreign Situation," which contains its analysis of the activities of radical groups and of the international communist movement during 1989 and a forecast of trends for next year.

Its analysis, subtitled "The World at a Turning Point and Domestic Public Security Trends," includes the conclusions that 1) radical groups will throw all their might into the struggle to block the second phase of construction at Narita airport; and 2) China will strengthen its efforts to repair its relations with Japan, but the repair work will take some time.

On the domestic scene, in order to block the second phase of Narita airport construction, in the future the radicals will engender violent group campaigns, including "defending until death" the existence of organizations that oppose involuntary expropriation, as well as terrorist-guerrilla actions using explosives. It is feared that there will be tragic incidents resulting in bloodshed, and the authorities are extremely apprehensive. It is especially feared that the Chukaku-ha [Middle Core Faction, a radical leftist grouping] will resort to measures including individual terrorism and the use of explosives to create an avalanche of untargeted guerrilla atrocities. The agency also predicts that rightist groups will launch criminal activities against leading figures in the government and the ruling and opposition parties depending on the stand of the government toward the Great Thanksgiving Service [Daijo-sai, a service offered by the Emperor] and the activities of forces within the opposition. [passage omitted]

### NASDA Develops Project for Lunar Exploitation

*OW0801030190 Tokyo SANKEI SHIMBUN in Japanese 4 Jan 90 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] The National Space Development Agency (NASDA) recently completed its plan for the "Lunar

Project." With the technology of developing robots to exploit resources on the moon's surface—a plan promoted by a group of research workers—as its mainstay, the project also includes a concrete plan to produce raw materials, as well as a man-operated program [yujin keikaku]. It is expected that after a report is submitted to a scientific conference to be held overseas this spring, a working group composed of those concerned with the lunar surface base will be set up at the Tsukuba Space Center this summer. Once the robot-operated equipment for exploiting resources is completed, it will at once give impetus for the man-operated facility program. The NASDA plans to submit this "Lunar Project" to the Space Development Committee, an advisory council to the prime minister, by the mid-90's so that the plan for building a base will be realized.

The "Lunar Project," worked out recently, consists of four phases. The mainstay of the first phase consists of plans for unmanned probes of geographical features and mineral resources. At first, a remote survey of the whole surface of the moon will be made from an observation craft (LGO) circling the moon's polar orbit so that distribution maps of topography and mineral resources can be drawn and, at the same time, an investigation will be carried out to find out if water exists. Depending on the LGO's discoveries, a robot capable of moving on the moon's surface, a rover will be sent to the moon to carry out automatic extraction and analysis of mineral samplings of the moon.

It is expected that helium 3, material for fusion reaction contained in the moon sand (regolith), can be extracted during this phase. Furthermore, it is expected that, by the second half of the 1990's, a decision will be made about the location of the base on the moon's surface.

The objective of the second phase is to build a residential area for mankind. The scenario recently devised indicates that, while promoting the unmanned project of building the moon surface base by robots capable of operating on the moon's surface, plans to create conditions required for men to live on the moon, such as plants for producing water and oxygen, will be studied.

According to the moon surface base project devised by the United States, crew members, as well as all the scientific observation equipment, pilot plants for producing oxygen, equipment and materials needed for living on the moon, and the surface power generating facilities required for starting the project for a moon surface outpost base will be transported to the moon.

First, about 5 crewmembers will stay on the moon's surface for 1 to 2 weeks to set up the equipment, after which they will have a rendezvous with the stand-by transport ship in lunar orbit and return to earth. It is expected that developments will enable about 5 crewmembers to live on the moon's surface for several weeks by around 2005.

Meanwhile, the key to the Japanese project lies in making the most of such unmanned technology as robots. However, the major feature of the present "Lunar Project" lies in the fact that, during the second phase, not only water and oxygen, but also iron, ceramic, and glass needed for future base projects will be produced and processed on the moon's surface.

Since major materials will be produced by robots, the three plants of high-temperature production equipment, equipment for collecting sunbeams, and solar power generation equipment will be combined to begin the production of such materials as iron and ceramics under way. In the final phase, equipment designed to provide a sufficient supply of such materials as mineral resources, iron, and ceramics will be completed to make production on the moon's surface possilble.

Concerning the man-operated program, the outpost base completed in the second phase will be expanded into a base for permanent residence. However, since Japan has fallen behind in man-operated technology on the moon's surface, it will be necessary to promote joint development with such nations as the United States. The base for permanent residence will be built with a closed circulating life maintenance system [heisa junkan seimei iji] and an oxygen-producing plant. Oxygen produced on the moon will be used not only at the base, but also for promoting flights beyond the moon.

According to the "Vision of Space Industry in the 90's," published by the Ministry of International Trade and Industry (MITI), the funds needed for building the base over a period of about 20 years, on the assumption that the base management will start at around 2005 to 2010, will amount to approximately 800 billion dollars (about 11,200 billion yen).

Tsutomu Iwada, chief researcher of the Space System Development Department of the Tsukuba Space Center, is one of the planners of the "Lunar Project." He stressed that, "in view of the level of the Japanese technology, it is not a dream to build a base on the moon's surface with unmanned robots." Pointing to good prospects for developing the moon's surface, he said: "If the unmanned project on the moon's surface becomes possible, it would be quite possible to build residential areas for human beings, exploit resources, and produce materials on the moon's surface by the beginning of the 21st century."

## Firms To Join Next-Generation Missile Research

*OW2912094489 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Dec 89 Morning Edition p 11—FOR OFFICIAL USE ONLY*

[Text] Mitsubishi Electric Corp, Toshiba Corp, and Mitsubishi Heavy Industries, Ltd, will participate in the Defence Agency's research and development [R&D] project for a next-generation air defense missile. The three firms will soon sign official contracts with the Defense Agency.

Presupposing the Hawk-class intermediate-range surface-to-air missile (SAM), now deployed in the Ground

Self-Defense Force [SDF], the missile will be researched and developed by collecting the latest electronics technologies.

Although the Hawk missiles are being license-produced by Mitsubishi Electric and Toshiba, participation in the R&D project by Mitsubishi Heavy Industries, which has a record of performance in missile-related technology and mass production, is a significant feature of the next generation missile development project, which will be helped with an introduction of U.S. technology.

The Defense Agency will earmark approximately 4 billion yen this year as a budget for the R&D project, and place orders with the 3 firms as actual consignees for the project. It plans to spend 2 to 3 years initially undertaking research of elemental technology by subject. In the allocation of assignments, Mitsubishi Electric will probably be charged with a fire control system (FCS) and other guided control areas; Toshiba with radar and other surface equipment; and Mitsubishi with the missile body and other parts.

The intermediate-range SAM, which will be the subject of research, will very probably be deployed as the Hawk's replacement. If the missile is developed in earnest and progresses to the stage of mass production, it can turn into a business amounting to more than 1 trillion yen. Because of this, the three firms are exerting themselves for the R&D project.

### Batmonh Congratulates New Romanian Leader

*OW2912122689 Ulaanbaatar MONTSAME in English to VNA Hanoi 1850 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 27 (OANA-MONTSAME)—Jambyn Batmonh, chairman of the Presidium of the MPR [Mongolian People's Republic] warmly congratulated Ion Iliescu, the chairman of the Council of the Front for National Salvation of Romania with the election to this post.

The message of greeting emphasizes that Mongolian people support the efforts of the Front for National Salvation to restore democracy and social justice in Romania and normalize situation in the country and wish every success in its activity.

The Mongolian leader expressed confidence that the traditional friendship and cooperation between the two countries will further develop and expand in the interests of the Mongolian and Romanian peoples, for peace and socialism.

### Romanian Embassy Staff Supports New Leadership

*OW2912121189 Ulaanbaatar MONTSAME in English to VNA Hanoi 2030 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 28 (OANA-MONTSAME)—Ionel Banika, charge d'affaires of Romania in the MPR [Mongolian People's Republic], stated in his interview with a MONTSAME correspondent that the Romanian Embassy staff has expressed its full support to the Council of the National Salvation Front of Romania and its programme, presented by national movement leader Ion Iliescu.

The popular struggle resulted in overthrowing the dictatorial regime of clan Ceausescu, who kept the Romanian people isolated during many years, thus grossly violating elementary human rights and freedoms. The overthrow of Ceausescu dictatorship has marked the end of the most disgraceful page in the history of the Romanian people. The victory of the Romanian people is the result of selfless struggle of all progressive forces, our entire people who always believed in triumph of democracy and freedom, the Romanian diplomat pointed out.

We have welcomed with satisfaction the position of the MPR, expressed in the speech of Jambyn Batmonh, chairman of the Presidium of the MPR Great People's Hural, which was broadcast by national TV and radio, Ionel Banika noted. He also expressed gratitude to the Mongolian people for solidarity and material aid.

### MPRP Denounces 'Prague Spring' Intervention

*OW2812051589 Ulaanbaatar MONTSAME in English to VNA Hanoi 1845 GMT 27 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 26 (OANA-MONTSAME)—The Politbureau of the Mongolian People's Revolutionary Party [MPRP] Central Committee and the Mongolian People's Republic [MPR] Government which expressed support to the intervention of the troops of five Warsaw Treaty member-states in Czechoslovakia during the 1968 events.

The issued decision says that "It has already been confirmed that the intervention of troops of Warsaw Treaty member-states in Czechoslovakia during the 1968 events was an interference in the internal affairs of an independent and sovereign state from without. This has been recognized by all countries concerned.

"At that time, the MPRP Central Committee and the MPR Government made a statement in support of this action. The Politibureau of the MPRP Central Committee regards this expression of support to actions aimed at solving the events in Czechoslovakia with the use of force as being erroneous," the document notes.

### Foreign Minister Interviewed on USSR Visit

*OW3012054589 Ulaanbaatar MONTSAME in English to VNA Hanoi 2051 GMT 29 Dec 89—FOR OFFICIAL USE ONLY*

["Openness Must Be Taken Care Of"—MONTSAME headline]

[Text] Ulaanbaatar, December 29 (OANA-MONTSAME)—Under such a heading, the paper "UNEN" published a MONTSAME correspondent's conversation with Ts. Gombosuren, foreign minister of the Mongolian People's Republic [MPR].

Speaking about his recent visit to the Soviet Union, Ts. Gombosuren noted that an open and fair discussion of the most complicated and urgent solution of the questions of Mongol-Soviet relations was one of the specific features of the visit. It was promoted by perestroyka and new political thinking, widely approved everywhere, said the minister.

Talks in the Soviet Union involved different aspects, concerning prices, credits efficiency of joint ventures, methods, and forms of cooperation. Finding out difficulties and their settlement by way of overcoming them was a major outcome of the visit said Ts. Gombosuren. An agreement has been reached to start, without delay, practical activities to settle the final solution to existing problems.

Pointing out an accord to withdraw in 1989-1990 75 percent of Soviet troops temporarily stationed in Mongolia, he said that the question of taking back the

remaining part of Soviet soldiers will be solved in the interests of strengthening peace, mutual understanding, and trust in Asia.

The minister also underscored that a mutual agreement has been reached to study documents and materials concerning Mongol-Soviet relations and preserved in the USSR Archives of Foreign Political Relations.

The minister said that the MPR is striving to expand and strengthen cooperation with the Soviet Union, which fully meets, not only the political aims and tasks of the MPR socio-economic development, but to the vital interests of the Mongolian people.

Emphasizing the importance of the Mongol-Soviet summit meeting in 1989, he underlined that the sides agreed to improve mutual cooperation, the economic sphere included, in the spirit of new thinking, perestroyka, and flexible approach, with due account of the development of world intercommunication.

Ts. Gombosuren noted normalization of Sino-Mongolian relations, further strengthening of ties with India, and activisation of ties with Japan.

The minister pointed out the significance of mutual understanding and collaboration of the countries of the Asia-Pacific region, saying that the MPR came out with the proposal to set up a permanently functioning mechanism for dialogues to develop cooperation and other problems [as received] between countries in the northeastern part of Asia, which has been favourably regarded by the majority of countries of the region. Ts. Gombosuren underlined positive changes taking place in relations between the MPR and developed Western powers, specifically with the USA and Britain, and also the MPR's joining "Group-77".

Talking about his country's foreign political activity in 1990, the Mongolian minister especially outlined the forthcoming coordination of activities with the Soviet Union and other socialist countries, a Sino-Mongol summit meeting, scheduled for the first half of the year, and a visit by the head of the MPR Government to Japan.

### Gengis Khan Praised as Founder of State

*OW2912134189 Ulaanbaatar MONTSAME in English to VNA Hanoi 1902 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 27 (OANA-MONTSAME)—The paper "ULAAN OD" (Red Star) published an article by I. Tsoodol, a historian, about Mongolian Khans, who were on the throne after Gengis Khan, a founder of the United Mongolian State.

The author brings the genealogy of 37 Mongolian Khans—beginning with Gengis Khan (1206-1227) up to Ligden Khan (1603-1634), except Zayat Khan, his heir was not declared, writes the author, and according to the Mongolian tradition, his younger son Tului was running the state affairs. After suspicious death of Gengis Khan's legitimate heir Ugedei and his wife Turankin's five year ruling, the Mongolian throne went to Guyuk (Ugedei's son), I Munh (Tului's son) and Kublay (Tului's son). Kublay was well-known as a founder of the Mongolian Yuan dynasty founded by him in China and ended, as is known, by driving out in 1368 of his last representative Togoon Tomor.

As the author writes, the first five chronolgies, after Gengis Khan ruled the Mongolian empire, which stretched from Asia to Europe, and up to Ligden Khan's period by the United Mongolian State, describing different peripeteia in Gengis Khan's struggles for power. [sentence as received]

The article says that after rising of the Manchu Empire which in every way tried to suppress the Mongolian statehood and support the dissemination of Buddhist religion in the country, the Mongolian people continued its struggle for the national independence which led to the victory of the people's revolution in 1921.

### Ulaanbaatar City Hural Discusses Development

*OW2912144389 Ulaanbaatar MONTSAME in English to VNA Hanoi 2045 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 28 (OANA-MONTSAME)—The 8th session of the Ulaanbaatar City Hural of People's Deputies of the 15th convocation was held here today December 28 and discussed the report of Sh. Batbayar, first deputy chairman of the executive board of the city hural of people's deputies, on the plan of socio-economic development of Ulaanbaatar for 1990.

Capital investments worth 1 billion 600 million tugriks are to be allocated to the development of the capital in the coming year. 32.8 percent of these means are to be channelled to housing construction and service sphere, 21.1 percent to the development of city transport, communication and trade, 8.7 percent to culture, education and public health development. In 1990, cash incomes of the population of the capital will grow by more than 5 percent including 6 percent increase in salary, pension and other allowances, the speaker noted.

The session set forth concrete tasks of improving the use of land and enhancing environmental protection of Ulaanbaatar.

### Contract-Lease System Facilitates Winter Herding

*OW2912212289 Ulaanbaatar MONTSAME in English to VNA Hanoi 2038 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 28 (OANA-MONTSAME)—The most responsible period for 67 thousand Mongolian livestock breeders is the wintering

of the stock. There are 39.8 thousand suurs (smallest livestock breeding units) engaged in rearing the whole state-owned animals.

The outgoing year was successful for the country's livestock breeders who reared the record number of young animals, that is 9.6 million. Now they concentrate their attention and efforts exactly on preserving fully this great number of offsprings during winter-spring periods, protecting them from severe weather caprices and providing them with good fodder.

The current winter can be characterized as heavenly. However, the cattle breeders know well that weather is unforeseen in our country with its sharply continental climate. That's why they attach particular importance to a qualitative ensuring of the preparation of all livestock breeding teams and suurs for wintering, to the timely delivery of sufficient quantity of fodder, to the repair of wells and watering points.

Our correspondent was told at the Ministry of Agriculture and Food Industry that contract and lease facilitate greatly the successful holding of wintering of the herd. These forms are becoming very popular in livestock production. At present more than half of all suurs are working on contract or lease. By their work results they prove the advantage of these new forms of relations of production, by having overfulfilled the tasks of increasing livestock population and procuring animal products.

**Good Results Reported in Livestock Breeding**

*OW2912212889 Ulaanbaatar MONTSAME in English to VNA Hanoi 2042 GMT 28 Dec 89—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, December 28 (OANA-MONTSAME)—According to preliminary outcomes of the republican census of livestock population, the country is now rearing 24.6 million livestock. This is a good result, which has not been achieved by animal husbandry, the key branch of Mongolia's national economy, in last seven years.

The dam population accounts for 11.3 million. This means that the task of the Eighth Five Year Plan to make it not less than 11 million is being successfully realized. The largest number of stock is registered in Dzavhan and Ovorhangay Provinces accounting for 1.9 million each.

Livestock breeders of Erdeni Dalay Suma, Dundgovi Province, take first place, having increased the stock by 30 thousand against 1988. As many as 295 sumas, state and fodder farms of the country have successfully fulfilled the planned targets on animal growth and 168 sumas managed to reach an increase in all five types of animal population.

A considerable increase of animal population in 1989 is the result of broader introduction of lease and contract, the new advanced forms of production relations, into animal husbandry production. Final outcomes of the animal population census will be summed up early 1990.

## Kim Il-song Plans Visit to Soviet Union

*OW2812171289 Tokyo YOMIURI SHIMBUN in Japanese 26 Dec 89 Morning Edition p 4—FOR OFFICIAL USE ONLY*

[By Seoul correspondents Shishin Oe and Shinichi Hirano]

[Text] Amid the cold war structures collapsing worldwide, as seen in the crumbling of the Berlin Wall, confrontations between South Korea and the DPRK (North Korea) are continuing on the "38th parallel," which divides the Korean peninsula. Although South and North Korea are now engaged in four talks, including the Red Cross preparatory talks, there is no sign of progress toward full reconciliation between these two countries. On 25 December, several informed sources in Seoul said that North Korean President Kim Il-song would visit the Soviet Union next spring at the earliest. Will this move by the Pyongyang leadership direct the momentum in the 1990's toward decisive change on the Korean peninsula? Or will the momentum be toward maintaining the peninsula as a relic of the cold war?

The dramatic collapse of the Ceausescu government will bring shock waves, unparalleled in the East European domino effect, to North Korea, which has been called the "twin" of Romania. For North Korea, 1990 will undoubtedly be a crucial year in which it will be forced to take desperate measures to cope with the "storm of reform and democratization" under way in other communist nations. There are even signs that North Korea is making active diplomatic efforts.

What is drawing attention, among other things, is President Kim Il-song's planned visit to the Soviet Union next spring. According to the informed sources, North Korea sounded out the Soviet Union on the visit immediately after his unofficial visit to China (5-7 November). The sources said that a Soviet source acknowledged the North Korean president's planned visit to the Soviet Union. On the timing of the visit, the sources said: "He will visit the Soviet Union between February and April next year. However, no decision has yet been made on the exact timing."

CPC General Secretary Jiang Zemin and Premier Li Peng are scheduled to visit North Korea and the Soviet Union next spring. These moves, along with President Kim's planned Soviet visit, are drawing attention. Following prior notification from Deng Xiaoping on his retirement, President Kim made a hasty visit to China in early November to reaffirm the "traditional, friendly relations" between the two countries to China's new leadership, including General Secretary Jiang. President Kim undoubtedly discussed with China's new leadership measures to cope with the East European situation. The planned visits by two Chinese leaders to North Korea and the Soviet Union and North Korean President Kim's visit to the Soviet Union are most likely diplomatic strategies jointly formulated by North Korea and China.

President Kim and Premier Li Peng will visit the Soviet Union to seek Soviet understanding of the "independent course of China and North Korea," a course that differs from the East European-type reform and holds on to socialism. President Kim, who plans to visit the Soviet Union for the first time since October 1986, is also expected to seek economic aid from the Soviet Union.

These visits by North Korean and Chinese leaders to the Soviet Union will depend on developments in East Europe and the Soviet Union. The prevailing view among experts is that North Korea, which has tilted toward the Soviet Union mainly in military relations since 1984, has recently begun to turn its diplomatic priority to China.

There will be irresistible pressure on North Korea if China, its giant neighbor, embarks on East European-type reform. China, which became a "hard-line conservative nation" following the Tiananmen incident, is a breakwater for North Korea against the "East European wave" and can determine the life or death of North Korea.

For the time being, the Pyongyang leadership will make all-out efforts to reconsolidate the father-son hierarchy of Kim Il-song and Kim Chong-il and seek to perfect the transfer of power to Secretary Kim Chong-il using the "China umbrella." On the other hand, the United States and North Korea are making counselor-level contacts in Beijing, and ranking U.S. officials, including former Assistant Secretary of State Sigur, are visiting North Korea one after another. In the face of Soviet and Chinese economic rapprochement with South Korea, North Korea is very likely to take a flexible stance in its policy toward the United States and Japan to a certain extent.

North Korea is now waging a campaign of "thorough indoctrination," and no sign of change is seen. However, North Korea is reportedly facing economic difficulties, and if this issue is left unresolved, "physical discontent" might soon turn into "political discontent," as seen in the political changes in East Europe, including Romania.

If the North Korean leadership has a sense of crisis in the wake of political changes in East Europe, fundamental changes on the Korean peninsula might take place earlier than expected.

### Interview With De Villa on Coup Attempt

*HK0201081190 Hong Kong ASIAWEEK in English Vol 16 No. 1, 5 Jan 90 pp 18-19—FOR OFFICIAL USE ONLY*

[Text] At the government's urging, thousands of Filipinos lit candles on Christmas eve. "This is for peace," said businessman Matt Simbulan, whose family burned eight sticks. But with key military rebels still at large and a new coup attempt widely speculated, it would take more than candles to banish the pall of uncertainty that had enguifed the Philippines since the bloody December rebellion. Last week President Corazon Aquino herself signalled that the crisis wasn't over. She signed a law granting her emergency powers.

Largely economic, the added clout, says Armed Forces Chief Renato de Villa, will help the country "recover faster." But it was the prospect of another coup bid that preoccupied Filipinos. Top businessmen got a closed-door briefing from Defence Secretary Fidel Ramos. Asked about a new putsch, he said: "I cannot presume there will be none." Hardly more reassuring was intelligence chief Rodolfo Canieso, who confirmed there was a new coup plot. Also disturbing was his disclosure that fully 70% of the armed forces were uncommitted and would have supported the rebels if they had gained the upper hand.

Armed Forces Chief De Villa aims to keep mutineers in check. Critics contend he had not made adequate preparations to counter the rebellion. He also has to deal with pockets of discontent in the military, including some elite units. In a 1 1/2-hour interview with ASIAWEEK Senior Correspondent Antonio Lopez, the general assessed security conditions and outlined measures to heal rifts in the military. Excerpts:

**What's the State of the Military?**

Stable but uneasy. The core group of rebel leaders are still out.... (Pro-Marcos) loyalists and RAM (Reform the Armed Forces Movement) have agreed on some tactical alliance while competing for supremacy. The loyalist group committed more troops although RAM assumed direction. We have reports (of businessmen involved in the coup). When we have evidence, we are going to arrest and bring them to court. They contributed, especially in financing and logistics. Money flowed...We are not saying it was purely money (that motivated the rebels). Some had effective leadership (over certain units). Some had old ties with their men. Reform was used as moral persuasion....Some people want to take power without elections.

**How was it they nearly succeeded?**

I do not admit that. They created a lot of trouble. Do you think they can succeed without popular support?

**You had very few reinforcements on the first day.**

Those were the only units we called because they were nearer.

**Why did you call in army trainees?**

Just for camp defence. They were the only units we called. We could not call everybody. It was unnecessary. And we didn't want to vacate field positions because the NPA (communist New People's Army) would take advantage. They (marines who attacked the armed forces headquarters) had no chance.

**Then why did U.S. planes have to come in?**

It can be looked at either way. The Americans are propagandising on it.

**Will there be another coup?**

We are watching the situation. If they try again, they will fail again. You in media should credit our officers with more brains, dedication, loyalty and patriotism. The great majority of the armed forces support the Constitution. I do not think the majority of officers would want destruction for the armed forces and the nation. A basic discipline and sense of duty holds.

**What's ahead for the military?**

We have to do a full accounting of men and resources. Initial loss in book value of equipment is ($16 million). We have to process people involved and put them on trial. We have to reconstruct and unify the armed forces again. We have to strengthen preparations against future events and prevent the NPA from taking advantage. They have already gone into a limited offensive....We have a lot of work in reconstructing, re-orienting those who got disoriented, and strengthening leadership.

**Any lessons from the rebellion?**

First, it would show that if the chain of command is strong and credible to the majority of soldiers, the armed forces will not collapse. Secondly, if there is enough commitment among the officer corps and the soldiery, that commitment translated into action can protect a duly constituted government. On the other hand, sacrifices and performance of duty should be recognised so will and fighting spirit will not be eroded. Lastly, it should be clear by now that the armed forces cannot just be used...for ambition and vested interests.

**What should political leaders do?**

They must understand (and support) the armed forces, its genuine aspirations, the professional outlook of the officer corps. There must be moral and political support. The means of making a better armed forces must be looked into.

**Like a bigger budget and higher pay?**

Not always. For instance, we have asked for tougher laws. We are talking about imposing the death penalty on subversion and rebellion accompanied by killing. Rebel

leaders should (not be allowed bail). We should have a national identification system. If the Constitution has to be amended, let it be. People trying to kill our way of life should be dealt with in a much stronger way than ordinary criminals.

**Won't that strengthen the military?**

No. Why are you afraid of strengthening the military if it is dedicated to the protection of the government and the people?

**It once helped install a dictatorship.**

Are we living in the past or looking at the future? It depends on the person in the saddle. This is what I am talking about—developing a professional armed forces. Let's say 200 officers were involved in the coup. We have 14,000 officers....You cannot accuse the armed forces of being dangerous. It must be strengthened in accordance with its role in a democracy. In spite of the work (and) sacrifices of the armed forces, we get bashed every week.

**With the coup over, is there still a need for emergency powers?**

How about strikes, food and transportation shortages? Our people are asking for more government services, more employment, more social justice...for alleviation of poverty. We have to respond. The elected government has to. We have to do a lot more than the government is doing.

**How is the insurgency?**

It is serious. The coup has come at a time when we are winning. We have reduced NPA guerillas from 25,000 to 19,000 as of October. The MNLF [Moro National Liberation Front] (Muslim rebels) have been reduced but have been maintaining about 22,000-23,000. The NPA is the bigger threat.

## Hawke Supports PRC Admission Into APEC

*OW2612085389 Tokyo NIHON KEIZAI SHIMBUN in Japanese 23 Dec 89 Morning Edition p 7—FOR OFFICIAL USE ONLY*

["Summary" of Australian Prime Minister Hawke's written replies to NIHON KEIZAI SHIMBUN questions on regional cooperation; by reporter Shirae; date not given]

[Text] Sydney, 22 Dec—Here follows a summary of Australian Prime Minister Hawke's written replies:

**The Meaning of the Asian-Pacific Ministerial Conference on Economic Cooperation (APEC)**

Through the APEC, we can promote consultations on and cooperation in individual economic problems and development in our region. And through the APEC, it will also be possible to have the regional interests reflected at an expanded level of consultations. For example, the representatives from various countries have already stated explicitly their position of positively participating in the Uruguay round (GATT's multinational trade talks).

What is important is that we must be open on the issue of increasing the APEC membership. The APEC is not a closed organization that will make any decisions to discriminate against nations or regions that have not joined the APEC, for such a decision on closed trade will be in no one's interests.

**The Issue on China's Participation in the APEC**

As far as Australia is concerned, we strongly support the admission of China, Taiwan, and Hong Kong as early as possible, because these three nations and their region play an important role in promoting the continuous economic development in the Asian-Pacific region.

I would like to stress that the APEC focuses on economy rather than on politics or strategy. In considering the economic importance of these three nations and their region, they should be included, and through their admission, the cooperative relations in the region will be strengthened.

**APEC's Future**

In my speech (on the APEC) given in Seoul, I mentioned following the OECD's example, and what I meant was to follow its scale and structure. I mean that this region needs an economic survey, an analysis of policies, and a circulation of information at a higher level.

The process of promoting cooperation in this region is slower than that of the OECD. And various nations, including Australia, are against the formation of a regional organization which is larger than necessary or which duplicates an existing organization, such as the ASEAN.

**Prospects for Asian-Pacific economy**

Our region has a very bright future. Economy will continue to have dynamism, and prosperity will be brought about.

### Agreement Reached on Reducing Soviet Military Aid

*OW0801030790 Tokyo SANKEI SHIMBUN in Japanese 4 Jan 90 Morning Edition p 5—FOR OFFICIAL USE ONLY*

[Text] Hanoi, KYODO, 3 Jan—Vietnam and the Soviet Union in late November agreed in principle to reduce Soviet military aid to Vietnam by one-third beginning in 1991. This was disclosed by an Eastern diplomatic source in Hanoi on 3 January.

According to another Eastern source in Hanoi, the two countries also agreed on the withdrawal of Soviet medium-range Badger bombers deployed in Cam Ranh and the dismantling of Soviet oil storage facilities at the port. The source added that the withdrawal and dismantling might have already begun.

According to the source, the agreement was reached between Vietnamese military leaders and Soviet First Deputy Defense Minister Kochetov who visited Vietnam on 27 November. While in Vietnam, the Soviet first deputy defense minister met with Vietnamese National Defense Minister Le Duc Anh and Chief of Staff Doan Khue of the Vietnamese People's Army to exchange "experiences on building armed forces in the new situation," (according to Hanoi Radio). According to the source, the Soviet first deputy defense minister at meetings with Vietnamese military leaders proposed a sharp cut in Soviet military aid to Vietnam; he cited as reasons for the sharp cut: 1) complete withdrawal of Vietnamese troops from Cambodia in late September; 2) worldwide detente and disarmament trend; and 3) reductions in the Soviet military budget including Soviet military aid to foreign countries. Concerning this proposal, the Vietnamese leaders agreed in principle.

A source concerned with Vietnamese authorities said, "I have not heard such information." However, he said, "It is true Soviet military aid to Vietnam is on a 'reduction' trend as indicated."

On the other hand, an informed Western source in Hanoi indicated that the sharp reduction in Soviet military aid to Vietnam is closely related to plans for dismantling military installations in Cam Ranh, and this move is viewed as a sign of Soviet plans to pull Soviet forces out of Cam Ranh.

According to a Western analysis, 20 Soviet naval ships including submarines and minesweepers and about 7,000 Soviet soldiers including one Marine Corps battalion are deployed in Cam Ranh.